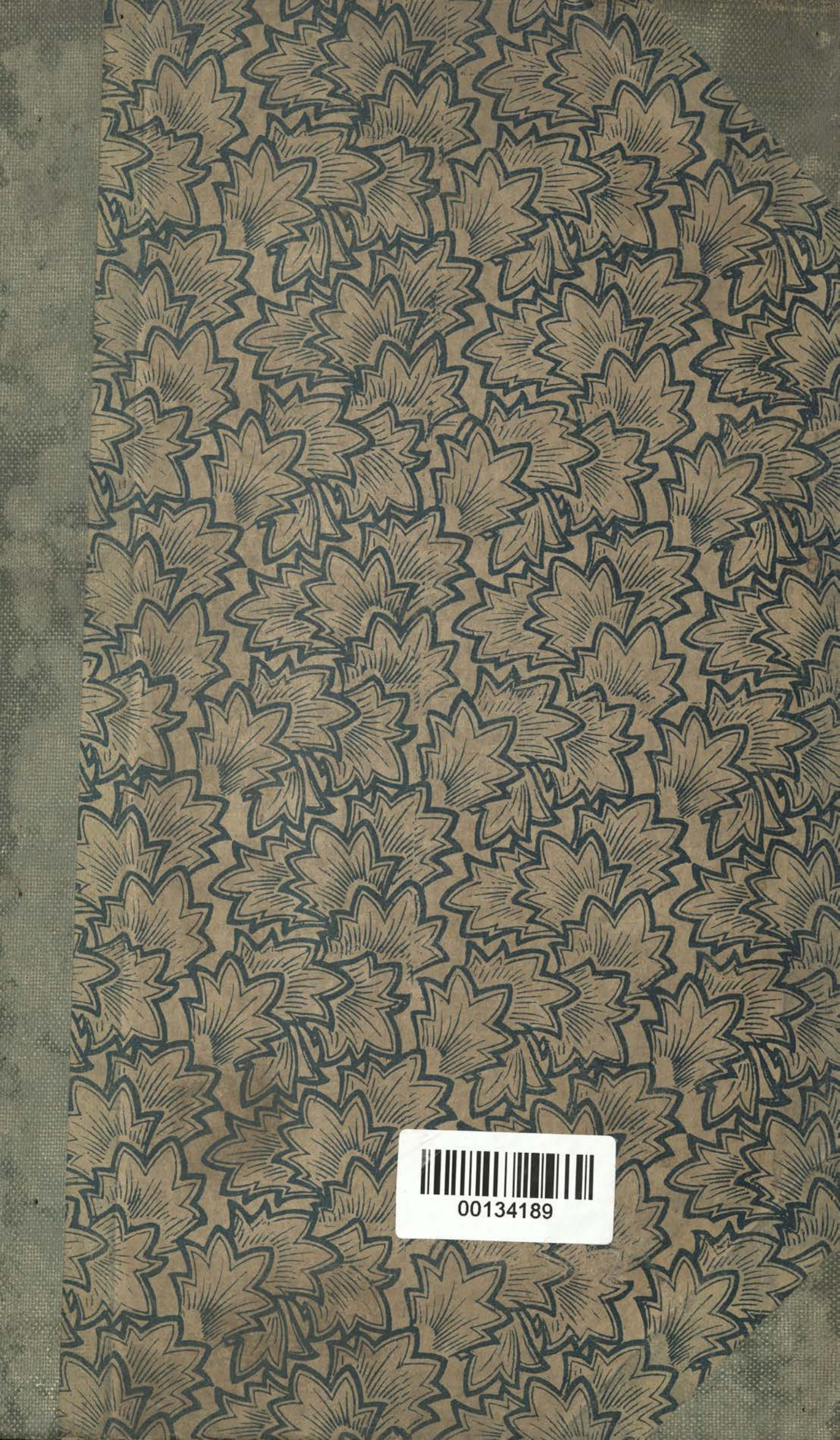
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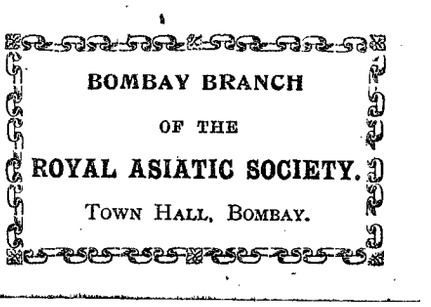

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INDIAN CURRENCY COMMITTEE.

REPORT

OF

THE COMMITTEE

APPOINTED TO INQUIRE INTO THE

INDIAN CURRENCY.

Presented to both Houses of Parliament by Command of Her Majesty.

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The Secretary of State for India to the Lord High Chancellor, dated India Office, 21st October 1892.

My Lord,

I enclose, for your Lordship's perusal, a copy of a correspondence which has recently passed between the Secretary of State for India in Council and the Government of India, in which, as you will observe, that Government submits proposals for stopping the free coinage of silver in India, with a view to the introduction of a gold standard.

It is unnecessary for me to dwell upon the grave difficulties with which the Government of India are confronted in consequence of the heavy fall in the gold value of silver, or upon the serious nature of the measures which they propose.

It is on account of the great importance of these measures, the effect of which, if they are adopted, will by no means be confined to India, that I have decided to request your Lordship to preside over a Committee for the purpose of considering the proposals of the Government of India as contained in this correspondence, and to advise whether it is expedient that Her Majesty's Government should allow them to be carried into effect.

In case the Committee should be of opinion that there is no sufficient ground for overruling the Government of India, but that the measures by which they propose to attain the object which they have in view require modification, I shall be glad to receive any suggestions which the Committee may have to offer.

The Committee will meet at this Office, and its proceedings must, for obvious reasons, not be open to the public; but, subject to this condition, the Committee will proceed in the manner which they think best.

Your Lordship having already intimated to me that you will accede to my request, the Committee will be constituted as follows:—

The Lord High Chancellor.
The Right Honourable Leonard H. Courtney, M.P.
Sir Thomas Henry Farrer, Bart.
Sir Reginald Earle Welby, G.C.B.
Arthur Godley, Esq., C.B.
Lieutenant-General Richard Strachey, C.S.I.
Bertram Wodehouse Currie, Esq.

I trust that, as the matter is urgent, and as the inquiry will be confined to the points which I have mentioned, the Committee may be able to report upon an early day, and that their meetings may be arranged accordingly.

It is now understood that the Monetary Conference will meet at Brussels on the 22nd of November, and it would be very advantageous if I could receive the report of the Committee before that date.

I have, &c.,
Kimberley.

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Report of the Indian Currency Committee.

To the Right Honourable The Earl of Kimberley, K.G., Secretary of State for India.

India Office,
31st May 1893.

Statement of the Question.

1. The question referred to the Committee by your Lordship is whether, having regard to the grave difficulties with which the Government of India are confronted through the heavy fall in the gold value of silver, it is expedient that Her Majesty's Government should allow them to carry into effect the proposals which they have made for stopping the free coinage of silver in India, with a view to the introduction of a gold standard. And, if we are of opinion that there is no sufficient ground for overruling the Government of India, but that the measures by which they propose to attain their object require modification, we are asked to offer any suggestion that we think fit for the purpose.

Question referred to the Committee.

2. The expediency of allowing the Government of India to carry into effect the proposals which they have made must depend on the view of the present and future situation of that Government as regards their revenue and expenditure, as well as upon a just estimate of the effect of a varying and possibly much lower exchange upon the commerce and people of India.

Points to be considered.

Financial difficulties of the Government of India.

3. There can be no doubt that the Government of India have experienced serious difficulty owing to the fall of exchange which has been going on for many years. The Government have yearly to remit a very large sum to this country in discharge of their gold obligations. In 1873–74, before the fall commenced, the amount remitted was 13,285,678*l.*, which, at a rate of exchange of 1*s.* 10·351*d.*, was represented by Rx. 14,265,700. During last year (1892–93) the amount remitted was 16,532,215*l.*, which, at the average rate of exchange in that year, viz., 1*s.* 2·985*d.*, required a payment of Rx. 26,478,415. If this could have been remitted at the exchange of 1873–74, it would have needed only Rx. 17,751,920. The whole of this difference of Rx. 8,726,495 cannot properly be regarded as a loss to the Government of India arising from the difference in exchange. It is certain, however, that India had actually to remit in 1892–93 upwards of Rx. 8,700,000 more than if the exchange had been at its former point.

Increase in number of rupees needed to discharge gold obligations

4. At an estimated exchange of 1*s.* 4*d.* per rupee for the past year, a surplus of revenue over expenditure was shown of Rx. 146,600; the exchange having fallen to an average of rather less than 1*s.* 3*d.*, this surplus has been converted into an estimated deficit of Rx. 1,081,900, notwithstanding the improvement of the revenue by Rx. 1,653,300 over the Budget Estimate.

Consequent present deficit.

5. Nor is this all. The Government are compelled to contemplate a further fall, the effect of which cannot be forecast. There has been for some years past an almost continuous fall in exchange, though it was varied by a sharp rise in the year 1890. The average rate in 1889–90 was 1*s.* 4·566*d.* In 1890–91 the average rate was 1*s.* 6·089*d.* But in 1891–92 it fell to 1*s.* 4·733*d.*, in 1892–93 to 1*s.* 2·985*d.*, and exchange has been of late scarcely maintained at 1*s.* 2⅝*d.* by the refusal to sell bills on India below that rate. The extent to which the financial position of the Government of India is affected by exchange is emphasised in the following passages of the recently published statement of Sir David Barbour:—

Prospect of further fall in exchange.

"The immediate cause of our financial difficulties, and the cause which, by comparison and for the time being, dwarfs all others, is the fall in the gold value of silver, which, as I have already shown, has added to the Indian expenditure in two years more than four crores of rupees. If that fall could be stayed and the rate of

Sir D. Barbour on the situation.

exchange with England fixed permanently at even its present low figure, the difficulty of dealing with the present deficit would be comparatively light. The revenue continues to grow in a satisfactory manner; even under the influence of indifferent seasons and poor harvests it has made fair progress. If we could feel assured that there would be no further fall in exchange, I have little doubt that increase of revenue, restriction and reduction of expenditure, with possibly some taxation of a temporary nature, would, in a very short time, re-establish equilibrium. A serious effort would no doubt be required in the first instance, but with a fixed rate of exchange we would have a definite task before us, and our measures could be regulated accordingly. But it unfortunately happens that, unless some settlement of the currency question is obtained, there is no prospect of even the most moderate degree of stability in the rate of exchange.

* * * * *

"Our financial position for the coming year is at the mercy of exchange, and of those who have it in their power to affect in any way the price of silver. If we budget for the present deficit of Rx. 1,595,100, and exchange rises one penny, we shall have a surplus; if it falls a penny, we shall have a deficit of more than three crores; if we impose taxation to the extent of one and a half crores of rupees, a turn of the wheel may require us to impose further taxation of not less magnitude; another turn, and we may find that no taxation at all was required. It will be obvious, from what I have just said, that what we have got to consider in making our arrangements for next year, is not so much the question of increasing the public revenue, or restricting that portion of the public expenditure which is under our control, but the chances of a settlement of the currency question."

Value of Silver.

Recent production of silver.

6. The production of silver has largely increased of late years, as will be seen from the following table, based as regards the earlier years on the statistics compiled by Professor Soetbeer, and as to the more recent years on the reports of the Director of the Mint in the United States:—

Average annual Production of Silver.	Kilos.	Approximate Equivalent in ozs. at 32·15 to the kilogramme.
1876 to 1880 - - - -	2,450,252	78,776,000
1881 to 1885 - - - -	2,812,908	90,435,000
1886 to 1890 - - - -	3,459,201	111,213,000
1890 - - - -	4,144,233	133,237,000
1891 - - - - -	4,493,100	144,453,000
1892 - - - - -	4,731,000 to 4,900,000	152,102,000 to 157,535,000

Bland Act in United States.

7. In the year 1878 what is known as "the Bland Act" was passed by the Legislature of the United States, which required the Government of that country to purchase not less than 24,000,000 and not more than 48,000,000 dollars' worth of silver per annum, which would be equal to a consumption varying from 20,625,000 to 41,250,000 ounces (641,000 to 1,283,000 kilos.) in the year. Under the authority of that Act the Government purchased yearly the minimum amount required. Notwithstanding these purchases, the price of silver fell from $52\frac{9}{16}d.$ per ounce, the average of 1878, to $43\frac{11}{16}d.$ in February 1890.

Sherman Act.

8. In that year what is known as "The Sherman Act" was passed by the United States Legislature, under which the duty was imposed on the Government of purchasing no less than 54,000,000 ounces (1,680,000 kilos.) a year, in lieu of the amount required to be purchased under the Bland Act.

Rise in value of silver in 1890.

9. The effect of this obligation to purchase silver to the value of about six millions sterling beyond the purchases required under the earlier law, coupled probably with the anticipation that further legislation, and perhaps free coinage of silver, would follow, was a sudden and considerable rise in the value of silver, which culminated in the month of September 1890, when it reached the price of $54\frac{5}{8}d.$ per ounce. There was, however, a speedy decline from this price, and since July 1892 silver has realized not more than an average of $38\frac{1}{2}d.$ per ounce, the present price being $37\frac{11}{16}d.$

10. Even if the increased production is kept in view, it is not easy to understand why, with the increased purchasing by the United States to the amount of six millions sterling per annum, and the simultaneous large increase of the Indian imports of silver, which averaged from August 1890, when the Sherman Act came into force, to March 1893, upwards of 46,500,000 ounces, the price should be sixpence per ounce lower than it was in the beginning of 1890. It has, indeed, been argued that the recent fall in the price of silver was due to the blow which the passing of that Act gave to the hopes of those who desired the free coinage of silver. But against this it is to be observed that the price of silver in London rose during the time that the Sherman Act was passing through Congress, and continued to rise for some weeks after it became law. Whatever be the cause, the fact that, although the United States Government have under that Act made purchases varying from 34 to 42 per cent. of the estimated production of the world, and India has increased and not diminished her imports of the metal, the price of silver has fallen to its present low level, is beyond question and of grave moment. Effect of American legislation and Indian imports on value.

11. Supposing even that no change were made in the currency arrangements of the United States, the experience of the past would forbid the conclusion that the price of silver would be stationary at its present level. It would be imprudent to act on the assumption that no further fall is possible or even probable. Further fall in value of silver to be expected.

12. The International Monetary Conference which recently assembled at Brussels has not led to any change in the situation, and, although it adjourned to a future day, that day is now past, and it seems uncertain whether there will be any further meeting. Brussels Conference.

13. Moreover, a strong agitation exists in the United States, with respect to the law now in force providing for the purchase of silver. Fears have been, and are, entertained that there may come to be a premium on gold, and strong pressure has been brought to bear upon the Government of that country, with a view to bring about an alteration of that law. Agitation in United States.

14. In December last, a Bill was introduced in the Senate to repeal the Sherman Act, and another to suspend purchases under it. Whether any such measure will pass into law it is impossible to foretell, but it must be regarded as possible; and although, in the light of past experience, predictions on such a subject must be made with caution, it is certainly probable that the repeal of the Sherman Act would be followed by a heavy fall in the price of silver. Possible repeal of Sherman Act.

15. Opinions differ as to the fall in price which would be effectual largely to check the production of silver. From time to time, as the price of silver has continued to fall, the opinion has been expressed that the point had been reached at which production must be checked. Experience has, however, falsified all these predictions. It is, of course, true that the fact that the working of a mine has become unprofitable does not ensure that the output shall be at once diminished or the mine closed. But, if this state of things were long to continue, and owing to a progressive fall in the price of silver mining operations could only be carried out at an increasing loss, one would expect to find the working abandoned before any very long period had elapsed. It is, however, remarkable that a period of continually increasing fall in the price of silver has been coincident with a large increase in the production of that metal. In the quinquennium 1876—1880, the annual average price of silver ranged from $54\frac{3}{16}d.$ to $51\frac{1}{4}d.$, the average for the quinquennium being $52\frac{3}{4}d.$ In the next quinquennium, 1880—1885, the range was from $51\frac{1}{16}d.$ to $48\frac{5}{8}d.$, the average for the quinquennium being $50\frac{5}{8}d.$, whilst from 1886 to 1890 the price ranged from $47\frac{1}{16}d.$ to $42\frac{11}{16}d.$, the average for the quinquennium being $44\frac{3}{8}d.$ And yet the annual average production of silver at the last quinquennium was 3,459,201 kilos. (111,213,000 ozs.) as compared with 2,450,252 kilos. (78,776,000 ozs.) in the quinquennium 1876—1880, being an increase of 41 per cent. And with an average price in 1891 of $45\frac{1}{16}d.$, and in 1892 of $39\frac{3}{16}d.$, or an average for the two years of $42\frac{7}{16}d.$, the production of 1891 has been estimated at 4,493,100 kilos. (144,453,000 ozs.), and that of 1892 at 4,731,000 to 4,900,000 kilos. (152,102,000 to 157,535,000 ozs.). This may show that, even at the present price, the production of silver is still profitable in a large proportion of the mines, and that in some it is sufficiently so to stimulate increased development, and that even a further fall would not necessarily diminish the total output. The phenomena may, indeed, be partly accounted for by the circumstance pointed out in the Report of the Gold and Silver Commission, that Increase in production, notwithstanding fall in price.

investments in the mines of precious metals are largely of a speculative character, and that many such mines may be opened out and worked for a considerable time at a loss, in the hope that such rich deposits of the ore will be found, or that altered circumstances may so change the value of the metal, that great gains will be reaped in the future.

Effect of further fall in remittances of Government of India.

16. A review of the changes in the price and production of silver which have characterised the last 12 years certainly forbids our entertaining any confidence that, if a further heavy fall in the price of silver were to take place, it would be, at any point capable of estimation, checked or counteracted by diminished production. It must be remembered, as pointed out by the Gold and Silver Commission, that the effect of throwing a large quantity of silver upon the silver market is not to be measured by the proportion which that quantity bears to the whole stock of silver in the world, but by the proportion which it bears to the stock of silver in the world after deducting from that stock the very large amount of silver money now kept in circulation by countries which have a silver token currency, since all of this money circulates at an artificial value, and none of it is subject to the fluctuations of the market. It cannot be regarded, then, as otherwise than within the reasonable bounds of possibility, that a repeal of the Sherman Act might lead to a fall in the price of silver of even 6*d.* per ounce, or more, and that there might be no substantial reaction from the level thus reached. Such a fall would, it may be said with practical certainty, reduce the exchange to about 1*s.* 0*d.* per rupee, and involve the necessity of raising at least Rx. 6,612,000 more than would be required by the Government of India to effect, even at the rate of exchange of 1*s.* 3*d.* per rupee, a remittance of the amount drawn last year, namely, 16,530,000*l.*; while the payment of 19,370,000*l.*, which is the present estimate of the drawings for 1893–94, would, at 1*s.* 3*d.* per rupee, require Rx. 30,992,000, and at 1*s.* 0*d.* per rupee Rx. 38,740,000, involving an increase of Rx. 7,748,000.

Claims of Indian Officials.

Servants of Government.

17. The difficulties which the Indian Government have in meeting the Home Charges are aggravated by the fact that the fall in exchange has led to claims on the part of their officers, civil and military, who receive salaries in rupees, to some compensation for the loss which they sustain owing to the fall in exchange. Many of those officials are under the necessity of remitting a considerable portion of their income to this country for the support of their families and the education of their children. It has been said that prices have fallen in this country during the last 15 years, and that a smaller sterling remittance will now purchase more than formerly. This is no doubt to some extent true, but it does not apply to all prices. It is a matter of dispute how far the fall of prices in this country compensates for the smaller sterling remittance which the same number of rupees will procure; but it is certain that, when due allowance has been made for this, the purchasing power of the incomes of Indian officials has been largely reduced.

Practice of private employers.

18. It appears that some European employers have felt themselves bound to make an allowance to the Europeans in their service in India, sufficient to counterbalance, to some extent, the loss which they experience owing to the fall of the rupee; and there can be little doubt that, even in existing circumstances, and still more if the fall of exchange continues, the Government of India cannot turn a deaf ear to the appeals of their servants for similar treatment, without the danger of engendering serious discontent, apart from the question whether such appeals are just and reasonable.

Expansion of Revenue.

Expansion of revenue hitherto.

19. Hitherto, the expansion of the revenue has largely provided for the additional calls which the fall of exchange has made on the Government of India. There has been, in spite of these additional calls, an average surplus during the last 10 years, of Rx. 261,550. It is true that, but for the expenditure rendered necessary by the fall in exchange, there might have been further remissions of taxation, and more might profitably have been spent upon public works. Though upon the whole the Government have not been compelled to impose increased taxation in order to discharge their liabilities whilst the fall in exchange has been in progress, certain alterations have been made in the taxation of the country, some in the direction of remission, others of an increase, with the net result that the amount of the increase

has not greatly exceeded the amount of the remission. But it is noteworthy that, whilst the remissions were all prior to 1882, the increased taxation has for the most part been imposed since that date. The addition to the salt tax, which was the principal source of increased revenue, produced a sum of Rx. 1,725,000.

Cannot be relied upon to meet future deficiencies.

20. In the past year the fall in exchange of about one penny has added Rx. 1,635,300 to the expenditure, with the result of an expected deficit of Rx. 1,081,900, instead of the anticipated surplus; and, the rate in 1893-94 being estimated at 1*s.* 2¾*d.* per rupee, an addition of Rx. 2,229,400 is caused to the expenditure beyond the charge for exchange entered in the Budget of March 1892. If a further heavy fall in exchange were to take place, it is impossible to expect that a financial equilibrium would be brought about by an expansion of the revenue alone.

Effect of Fall in Exchange on the People of India and its Commerce.

Effect of fall in Exchange on the people of India.

21. Before considering how the Government of India can meet the difficulties which they experience and which they feel compelled to anticipate, it will be well to inquire what effect the variations in exchange to which attention has been called have produced upon the commerce of India and the prosperity and condition of its people.

Effect on the remittance of produce.

22. In estimating the effect upon the people of India of its being necessary to raise an increased number of rupees to meet the sterling remittances of the Government of that country, it must be borne in mind that the extent of the burthen imposed upon the people of India by these remittances is measured by the quantity of produce which they represent, for it is by the export of produce that the debt is in reality discharged. In so far as the necessity of exporting more produce arises from the circumstance that gold prices are lower, the people of India are in the same position as those of Australia or any other country which has to export produce for the purpose of paying the interest on its gold debt. The question to be considered is, what effect has the fall in exchange upon the amount of produce which must be exported to meet a given gold liability? To determine this, the gold price of the produce must be assumed to be stationary. When silver falls in relation to gold, the greater number of rupees which is required to meet a given gold payment will not represent a greater quantity of produce than before, if the silver price in India of the produce exported responds to the changed value of silver in relation to gold, *i.e.*, if it has risen, or has been prevented from falling. Silver prices must ultimately thus respond, although an interval may elapse before the correspondence is complete; and during this time, whilst more produce is exported, the Indian ryot is getting proportionately less in silver for his produce. It has indeed been alleged that the fall in the gold price of certain Indian products is to be attributed to the fall in the value of the rupee, but this allegation is strongly controverted; and, having regard to the phenomena presented in the case of Indian products not greatly open to competition, and to the necessary effect of competition in the case of those which are within the sphere of its influence, it seems far from clear that the fall in the gold price of Indian products would have been materially less if the exchange had not fallen.

Transfer of burdens from one class to another.

23. Even if the burden upon the people of India as a whole has not been increased by the fall in exchange, there can be no doubt that it has been to some extent shifted from one class to another. The burden of those who pay a fixed land revenue under a permanent settlement has been lightened, and the same may be said of all those whose land revenue has not been re-settled in recent years, or re-settled with adjustment to meet the most recent conditions. On the other hand, the increased salt tax presses upon the people at large, and renders more heavy the taxation of those who, for the most part, have suffered rather than benefited from the higher rupee prices due to the fall in the gold value of silver.

Effect on commerce.

24. We pass now to consider the manner in which the commerce of India is alleged to have been injuriously affected by the variations in exchange.

Harassment of trade by fluctuations.

25. It is said that legitimate trade is replaced by mere speculation and gambling. There seems to be a common agreement amongst those who differ in their views upon almost all other points, that trade is seriously harassed by these fluctuations, though the estimates do not all agree as to the character and the extent of the inconvenience arising from this cause. It does not appear to be certain, even in the

view of those who are most strongly sensible of the mischievous effect of fluctuations of exchange, that the volume of trade over a series of years has been diminished from this cause, though there seems a common agreement that any sudden or violent fluctuation almost paralyses business for a time. It is to be observed that it is not so much the fall of exchange which is complained of, as the fluctuations, whether in one direction or the other. Some of those who admit the mischief to trade of exchange fluctuations allege that the extent of the mischief is not serious, since provision can be largely made against the effect of those fluctuations through the medium of banks; but it is clear that the traders cannot completely safeguard themselves in this way, and that such security as they obtain in this respect must be paid for. It must be remembered that, before the fall in the price of silver began, and the fluctuations in the rate of exchange dependent upon it, the rates of exchange varied very considerably during particular years, though, no doubt, the fluctuations have been much more frequent and considerable since that time.

Fluctuations add to the risks of trade.

26. Upon the whole, it cannot be doubted that it would be well if commerce were free from the inconveniences of fluctuations which arise from a change in the relation between the standard of value in India and in countries with which her commerce is transacted. It must not be assumed that the adoption of the same standard for the United Kingdom and India would remove all the disquieting causes of the disturbance of trade of which complaint is made. If the commodity which lies behind the exchange transaction is one that continues to fall in relation to gold, the risk which arises from bargains in a falling market will still be present. The liability of the standard of the one country to fall, in relation to the other, causes, however, an additional risk, and consequently increased disturbance to trade.

Alleged stimulation of exports by fall in exchange.

27. It is said that the tendency of a falling exchange is to stimulate exports; that, inasmuch as more silver, *i. e.*, a higher silver price, is received in respect of the same gold price, whilst wages and the other factors in the cost of production do not increase in the same proportion, production becomes more profitable, and is therefore stimulated. Assuming this to be true, the effect of each successive fall must be transitory, and can continue only until circumstances have brought about the inevitable adjustment. Although one may be inclined, regarding the matter theoretically, to accept the proposition that the suggested stimulus would be the result of a falling exchange an examination of the statistics of exported produce does not appear to afford any substantial foundation for the view that in practice this stimulus, assuming it to have existed, has had any prevailing effect on the course of trade; on the contrary, the progress of the export trade has been less with a rapidly falling than with a steady exchange. For example, from 1871–72 to 1876–77 the gold value of the rupee fell constantly from 23·126*d.* to 20·508*d.*, or about 11¼ per cent.; the exports of merchandise were actually less in the latter year than in the former, although in 1876–77 their rupee value exceeded by about 10 per cent. that of the exports of either 1870–71 or 1872–73. From 1878–79 to 1884–85 exchange was fairly steady, the average rates varying only between 19·961*d.* and 19·308*d.* per rupee, or about 3¼ per cent.; and during those six years the exports rose by no less than 36½ per cent. Again, between 1884–85 and 1888–89 the fall of the rupee was very rapid, from 19·308*d.* to 16·379*d.*, or over 15 per cent., and the exports increased during those four years by 16½ per cent.; but in the single year 1889–90, when there was a slight improvement in the exchange, the exports increased by more than 6½ per cent. It is said, too, that, whilst a falling exchange tends to stimulate exports, there is a corresponding tendency to check imports. Here again statistics do not seem to show that diminished imports have been coincident with a lower exchange. Taking the same periods as before, from 1871–72 to 1876–77, when exchange fell 11¼ per cent., imports of merchandise into India increased by 17 per cent.; from 1878–79 to 1884–85, when exchange was steady, the increase of imports exceeded 47 per cent; between 1884–85 and 1888–89, when the rupee fell about 15 per cent., the imports were augmented by nearly 25 per cent.; while in 1889–90, when exchange slightly rose, the imports were rather less than in the previous year. Upon the whole we cannot see any evidence that the effect of a falling exchange on the country at large, in influencing either exports or imports, has over a series of years been very considerable. Some trains of *a priori* reasoning would seem to lead to the same conclusions, and also to the further conclusion that, even if a fall in the gold value of the rupee does stimulate exports, the result is not necessarily to the benefit of India as a whole, though it may temporarily benefit the employer at the expense of the wage-earner, because wages rise more slowly than prices.

28. The want of a stable exchange between England and India, and the fact that it has fallen so heavily, has, it is alleged, greatly checked the investment of British capital in India, and the development of the country which would have been the fruit of such investments. London is the lending market, and London thinks in gold. London is ready enough to lend upon contracts for repayment in gold, but hesitates to enter upon silver transactions, or to engage in industrial enterprises in a silver country. There can be no doubt that uncertainty as to the interest which would be received for the investment, and as to the diminution which the invested capital might suffer if it were desired to retransfer it to this country, tends to check British investments in India. This is a real evil, the importance of which we do not desire to underrate. It has been pointed out, however, that a great number of industrial enterprises have been established in India during recent years, such as collieries, cotton mills, jute mills, woollen mills, and paper mills, in which much capital has been invested; and that large sums have been spent upon tea plantations is evidenced by the enormous increase in the quantity of tea grown in and exported from India. And it must be remembered that the adoption by India of the same standard which exists in England might not remove all obstacles to the investment of capital in that country. Capitalists have, of late, been slow to invest in many kinds of industrial enterprise, owing to the fact that prices are falling, or have fallen, very generally. If a gold standard were adopted for India, and similar phenomena of falling prices ensued there, capitalists might still be unwilling to provide capital for industrial enterprises. In connection with the point under discussion, it may be well to observe that a falling exchange, owing to its effects upon their salaries, savings, and pensions, renders it more difficult to procure and arrange for the services of the European employés required for the carrying on of industrial undertakings in India.

Check to investments in India.

29. There is another point which ought not to be passed over in silence. It is said that, by making silver the standard, and keeping the Indian mints open to silver, the Anglo-Indian Government have attracted to India that depreciating metal, and have thus made India purchase, at a comparatively high cost, an enormous quantity of it, which is now of less value than when it was bought. In this there is some truth, but also much exaggeration. There can be no doubt that an open mint in India offers a market into which silver could be continuously poured without regard to the currency requirements of India, until such an alteration in prices of commodities was brought about, as to make its importation no longer profitable. It is only when and so far as the opening of the mints to silver has led to the importation and coinage or hoarding of useless and now depreciating silver, that the free coinage of silver can be considered to have inflicted a loss upon India. What this loss amounts to we cannot determine, but we are not without indications that India is becoming surfeited with silver.

Attraction of open mints for depreciating silver.

30. The net imports of silver into India in the 23 years from 1870–71 to 1892–93 have been Rx. 165,226,000, or an average of Rx. 7,184,000 a year, and the coinage demands have amounted to upwards of Rx. 6,500,000 annually, so that we may infer that nearly the whole of the newly imported silver has during these years passed through the mint. Since 1877–78 the net yearly imports ranged from about 4 to 11 millions Rx.; but in 1890–91 there was an abnormal rise to more than 14 millions. Much of this silver appears to have remained in the Currency Department, causing at the same time a great and sudden inflation of the paper currency. Between March and December 1890, the note issue increased from about $15\frac{3}{4}$ crores of rupees to 27 crores, an increase of 71 per cent. The inflation was yet further aggravated, and at the end of August 1892 the notes issued stood at more than 29 crores; but, according to recent returns, there has been some contraction, and the amount in circulation is now about 26 crores. With this sudden expansion of the issue of notes a corresponding increase in the silver coin and bullion reserve took place, viz., from Rx. 9,771,782 at the end of March 1890, to Rx. 21,440,022 at the end of January 1891, an addition of more than $11\frac{1}{2}$ crores of rupees. It deserves notice in connection with this subject, that throughout 1892 the import of gold not only ceased to be in excess of the exports, but the current was reversed. During the five years ending with March 1890 the average net import was about Rx. 3,000,000. In 1890–91 it was Rx. 5,636,172, in 1891–92 it was Rx. 2,413,792, whilst in 1892–93 the net import ceased, and the excess of exports was upwards of Rx. 2,800,000.

Recent imports and coinage of silver.

Export of gold.

31. Down to a comparatively late date it was generally believed that, notwithstanding a fall in the gold value of silver, prices in India had been practically unaltered; but the evidence before us points to the conclusion that during recent

Prices in India seem to be rising.

years the silver price of Indian produce has risen. If, as experience shows, wages respond more slowly to the alteration in the value of the standard, this rise in the price of produce must have been prejudicial to the wage-earning classes.

Import of useless silver injurious to India.

32. The above facts give reasons for believing that the recent fall in silver, coupled with the open mint, has led India to import and coin more silver than she needs, and the worst of the evil is that it is a growing one. Every unnecessary ounce of silver which has been or is being imported into India, is a loss to India, so long as silver is depreciating in gold value; for it is, *ex hypothesi*, not needed for present use, and it can be parted with only at a sacrifice. So far as the open mints attract unnecessary silver to India, they are inflicting a loss upon the people of the country, and benefiting the silver-producing countries at the cost of India.

Effects if fall should continue.

33. So far, we have dealt only with the past. We have now to consider the effect to be anticipated from a continued, and not improbably heavy, fall in the exchange between India and England.

Existing evils would be intensified, and increase of taxation become necessary.

34. All the evils to which attention has been called would, of course, be aggravated and intensified. If prices continued to rise, while wages were more slowly advanced, the material condition of the wage-earning class would be continually deteriorating. As respects the Government, we have already pointed out that, if no change be made in the currency arrangements of the country, and a heavy fall were to take place, such as we have referred to as possible, they would, unless they could largely reduce their expenditure, be compelled, in order to meet the increased demands upon them, to impose increased taxation to a very serious extent. It has been suggested that economy in the civil and military administration of India is still possible, a point which does not fall within the scope of our inquiry; but, even assuming that the expenditure of the Indian Government might without impairing efficiency of administration be diminished, it cannot be supposed that this could be done suddenly to a very great extent, so as to meet the anticipated difficulty. The net expenditure of the Government of India is about Rx. 50,000,000. Supposing the deficiency which had to be met should be from Rx. 8,000,000 to Rx. 10,000,000, it is not conceivable that an equilibrium could be brought about by reducing the expenditure. When we pass to consider whether the revenue required to meet the deficiency might be raised by increased taxation, we encounter at once a position of great delicacy. There is no doubt that in several directions increased taxation is possible, but the difficulties connected with it are grave, and its political danger is said to be a matter of serious moment.

Possibility of increasing Taxation.

Existing taxes. Land revenue.

35. Inasmuch as the Indian producer has so far benefited by the fall in exchange, that he has received a higher silver price for his produce than would otherwise have been the case, and the burden of the land revenue he has to pay has thus become less, it would be natural to seek in an increase of the land revenue a large contribution towards the deficiency. Nearly one-fourth of the land revenue is, however, permanently settled. Of the remainder the greater part is fixed on assessments for 30 years, most of which are of recent date. It is impracticable, therefore, to derive from this source the revenue required.

Salt tax.

36. An increase of the salt tax has been before now resorted to for the purpose of obtaining additional revenue. But the objections to this tax have long been recognised. It is in the nature of a poll-tax, which falls on all classes, but presses most heavily on the very poor. It is true that the price of salt has been reduced in recent years, but the tax is now about 600 per cent. *ad valorem*, and any increase would chiefly affect those who have suffered rather than benefited by the fall in exchange. It has been strongly pressed upon us, too, that it is the main reserve of taxation in case of war or any other emergency, and that it ought not to be exhausted in order to meet the present difficulty. Even an addition of 20 per cent. to the existing tax would not yield more than from Rx. 1,500,000 to Rx. 1,750,000.

Stamp duties.

37. An addition to the stamp duties is deprecated, on the ground that they are largely a tax on the administration of justice, and that it would not be right materially to augment taxation of this description.

38. Doubts are entertained, and probably with reason, whether it would be possible to raise a largely increased revenue by means of excise. It is said that it would stimulate illicit practices, and any attempt to augment the excise revenue would be attacked, as calculated to increase drinking and to promote intemperance. Excise.

39. Of all the suggested methods of adding to the revenue, the reimposition of import duties would, according to the evidence before us, excite the least opposition; indeed, it is said that it would even be popular. The duties on cotton goods have, however, only recently been abolished. They were the subject of vehement attack in this country. Any attempt to reimpose them would meet with great opposition. And it cannot be denied that the reimposition of such duties would provoke a demand for a countervailing excise upon all cotton goods manufactured in India. Although such an excise duty might be collected without serious difficulty in respect of goods manufactured in the cotton mills of Bombay and elsewhere, it is alleged that it would be wholly impracticable to enforce it generally, in view of the extent to which the manufacture of cotton goods on a small scale prevails throughout India. Import duties.

40. The arguments urged against the reimposition of export duties are strong, and sound in principle. The only duty of that description now in force is imposed on the export of rice. Any increase of it is said to be impracticable, in view of the competition of other countries; the desire of the Government of India to abolish it has been often expressed; and it is even doubtful whether the existing duty can be maintained. Export duties.

41. If the income tax were raised to twice its present rate, it would probably produce about Rx. 1,500,000 more than it now does. The minimum income liable to the tax is 500 rupees. An increase in the rate would produce very great discontent amongst those who are capable of appreciating and criticising the actions of the Government, and of promoting agitation when they are prejudicially affected. It must be borne in mind, too, that the class which suffers most from the fall in exchange would be most affected by an increased income tax. Income tax.

42. We have passed in review the means of taxation which have been, or are now, in use in India. It remains to consider the new sources of taxation which have been suggested. The only articles so largely consumed that taxation of them would afford the prospect of any great augmentation of the revenue, are tobacco and sugar. These are grown very generally throughout India in small quantities. To procure a revenue from them by means of taxation would involve constant and vexatious interference with the people, and the cost of collecting and enforcing the tax would be enormous, in proportion to the sum realized. Those who have given evidence on this subject, and who entertain the gravest objections to an increase of the salt tax, are nevertheless of opinion that, with all its evils, this would be preferable to an attempt to raise a revenue by a taxation of sugar or tobacco. New taxes. Sugar and tobacco.

43. Although it is recognised that there is much to be said in principle in favour of imposing a succession duty, the difficulties connected with its imposition are enhanced in India by the many different laws which regulate succession, and by the extent to which the family system affects the distribution of property in case of death. This has hitherto stood in the way of its introduction, and it would take a long time to develope any practical scheme; moreover, whether it would be found possible to add largely to the revenue, by means of it, must be matter of speculation. For these reasons it could not be adopted to in order to meet the present emergency. Succession duty.

44. We are not in a position to determine whether the apprehensions expressed to us that increased taxation cannot be resorted to without grave mischief are, to the full extent, well founded, or whether they are exaggerated. But it is not easy to see how the burden of the added taxation, which would be requisite to counterbalance the fall in exchange, could be made to rest on those who might with the most justice be subjected to it, or how the added revenue could be provided except in a manner opposed to sound principles of taxation. Even if it be thought that the political dangers anticipated are the offspring of somewhat exaggerated fears, it is at least possible that they may be under-estimated. Representations that a great increase of taxation was due to what has been erroneously called the "tribute" paid to this country would add sensibly to the danger, and afford an inviting theme for agitators. It is of importance to recognise the fact that the public revenues of India, as of most Asiatic countries, largely consist of elements of income which have not the character of taxation, as that term is used in western Europe, and that it has Conclusions as to increase of taxation.

been through the natural growth of these revenues that the increased expenditure of recent years has been met to a considerable extent.

Possibility of reducing Expenditure.

Possibility of reducing expenditure.

45. We have, in the foregoing paragraphs, indicated the results of the evidence which has been placed before us upon the question whether the deficiency caused by exchange may be met by increase of taxation. There is, as has been already pointed out, another way in which a deficiency may be met, viz., by reduction of expenditure. We are quite alive to the importance of this resource, and to the expediency of urging economy in every practicable way, more especially as there is no such pressure brought to bear on the Government of India as that to which the Chancellor of the Exchequer in this country is subjected by the representatives of the taxpayers. But, difficult as it is for us to form an opinion on the possibility of raising additional revenue, it is still more difficult to estimate the possibility of reducing expenditure. In order to do so, it would be necessary to enter upon an examination of the policy and action of the Government of India, both in military and civil matters, a task which is beyond our province. Experience, however, shows, as regards military expenditure, that it is at all times difficult to resist its growth, and that occasionally the circumstances which call for it are beyond the control of any Government; while, as regards civil expenditure, advancing civilization brings with it constantly increasing demands for Government action and enterprise, demands which are not the less urgent when, as is the case in India, they must originate with the Government, rather than, as in Europe, with the people. Although, therefore, we feel strongly the necessity for the utmost care in restricting expenditure, we are certainly not in a position to conclude that any economies are possible which would enable the Indian Government to meet successfully the great and growing deficit caused by falling exchange.

Possibility of reducing deficit by charging more expenditure to capital.

46. It has been suggested that the Government of India might with propriety charge more of its public works expenditure to capital, and thereby reduce the deficit shown in the revenue account. On this point we can only say that the Government of India have for a long time acted on the sound principle of charging to capital only such outlay as is incurred for productive works, and that a policy of allowing unproductive expenditure to be so charged is obviously open to serious question.

Proposals of the Government of India.

Proposals of the Government of India Despatch of 21st June 1892.

47. We have said enough to show that the situation is a very critical one, and that the proposals of the Government of India are entitled to the most careful and anxious consideration. We proceed to state the nature of those proposals. In a Despatch of the 21st of June 1892,* the Government of India expressed their deliberate opinion that, if it became clear that the Brussels Conference was unlikely to arrive at a satisfactory conclusion, and if a direct agreement between India and the United States were found to be unattainable, the Government of India should at once close their mints to the free coinage of silver, and make arrangements for the introduction of a gold standard. The Government forwarded as an enclosure in this Despatch a Minute by Sir David Barbour, the Financial Member of Council, giving an outline of the method he proposed for the introduction of a gold standard into India, if such a measure should become necessary. The nature of the plan will appear from the following extract from that Minute:—

Sir D. Barbour's Minute.

"6. The only measures for the introduction of a gold standard into India which seem to me feasible are the following:—

"(1.) The first measure would be the stoppage of the free coinage of silver. Government would retain the right of purchasing silver, and coining it into rupees.

"(2.) The next measure would be to open the mints to the free coinage of gold. Any man bringing gold to the mints would be entitled to have it coined into gold coins, which would be legal tender to any amount. It would be desirable to stop the free coinage of silver some time before opening the mints to the free coinage of gold. It would be a valuable guide to us in subsequent proceedings to know exactly what effect the stoppage of the free coinage of silver had on the gold value of the rupee.

"The new gold coins might be a 10-rupee piece and a 20-rupee piece.

* Appendix, page 146.

"7. The weight and fineness of the gold coins to be issued from the mint would be such that the par of exchange between them and the sovereign would be the exchange which it was desired to establish between India and England.

"For example, if we wished the rupee to be worth 1*s.* 4*d.*, the 10-rupee coin would contain as much gold as was worth (1*s.* 4*d.*) × 10 = 160 pence. The quantity of fine gold in the 10-rupee piece would be $\frac{160}{240}$ths or two-thirds of the quantity contained in the sovereign.

"8. The question of the ratio at which we should exchange from the silver to the gold standard would require careful consideration.

"We ought not to think of going back to the old ratio of 1 to 15½. Neither ought we to adopt the very lowest price to which silver may have fallen at any time, or to consider ourselves bound to accept the market ratio of the very moment at which the change was made. A ratio based on the average price of silver during a limited period before the introduction of the gold standard would probably be both the safest and the most equitable."

48. In a telegram of the 22nd of January 1893,* the Government made this further statement regarding their proposals:— Telegram of 22nd Jan. 1893.

"We propose to take power to declare by notification that English gold coinage shall be legal tender in India, at a rate of not less than 13⅓ rupees for one sovereign, and we have provided for that in the draft Bill. We think that an interval of time, the length of which cannot be determined beforehand, should elapse between closure of the mints and any attempt to coin gold here. The power to admit sovereigns as legal tender might be of use as an *ad interim* measure, and need not be used except in case of necessity."

49. A copy of the draft Bill* for the purpose of stopping free coinage was afterwards forwarded. It proposed to repeal the free coinage provisions of previous legislation, and to enact that the Governor General in Council might, by order notified in the Gazette of India, declare that any gold coins, which were for the time being a legal tender in England, should be a legal tender in India in payment or on account, at such rate, not being less than 13⅓ rupees for one sovereign, *i.e.*, at the rate of 1*s.* 6*d.* per rupee, and so for any greater or smaller coin, as should be fixed in such order, and might, in like manner, cancel or vary such order. Draft Bill.

50. In the Minute of Sir David Barbour, forwarded by the Government of India, to which reference has already been made, the arguments in support of the proposals are stated. He observes that, although it is proposed to stop the free coinage of silver and to establish a gold standard, it is no part of the plan to substitute gold for silver as the ordinary currency of the country. It is contemplated that, in the vast majority of Indian transactions, silver would still be used as the medium of exchange. He refers to the example of France and other nations, as showing that it is possible to have a gold standard, though a large percentage of the circulation consists of overvalued silver coins, which are legal tender to any amount. He concedes that, in order that the gold standard may be effective, a limit must be placed on the number of such coins, and they must be convertible into gold coins, either without payment of premium or on payment of a trifling premium, whenever any person wishes for gold coins in exchange for silver coins. Gold coins would only be required in exchange for silver when they were wanted for hoarding, or export, or for melting down into ornaments. It is pointed out that one mode in which the scheme might be carried out would be by adopting measures for accumulating a store of gold, and, when sufficient had been obtained, opening the mints to the free coinage of gold coins, that metal being then made legal tender, and the exchangeability of silver for gold coins, according to their face value, guaranteed by means of the accumulated stock of gold. This, it is said, would be an expensive plan, and there would be a great risk of the whole stock of gold being drained away in exchange for silver rupees. Sir David Barbour, therefore, does not recommend this plan, but the measures which appear to him feasible are those described in the passage from his Minute already quoted. It is said that, under the proposed scheme, if the Government treasuries were required to give gold coins for silver, whenever it was possible for them to do so, there could not be any considerable premium on gold coins so long as there were any in the public treasuries or in the paper currency reserve, and the gold standard would be effectively maintained. After the proposed measures had been carried out, it might happen that no gold was brought to the Sir D. Barbour's arguments in support of the proposals.

* Appendix, page 183.

mints to be coined and to be put into circulation, and that the rupee fell in value below 1*s.* 4*d.*,—supposing that to have been the ratio fixed,—or it might happen that, though gold was brought to the mints for a time and the rupee was worth 1*s.* 4*d.*, yet, subsequently, gold ceased to be brought to the mints, gold coins ceased to be found in circulation, and the rupee fell below 1*s.* 4*d.*; in either case it would be a sign that the rupee was redundant, or, in other words, that there were too many silver rupees in circulation, and, consequently, their value had fallen below sixteen pence each, and that the gold standard was no longer effectively maintained. The remedy in such a case, it is said, would be to contract the rupee currency, and to adopt any feasible measures for improving the general financial position of the country. Such an improvement would give increased confidence, and the reduction of the rupee currency, if carried far enough, must ultimately restore the value of that coin. The greatest danger, it is said, would arise immediately after the first introduction of the gold standard, and would be brought about by silver rupees being, as they certainly would be, returned to India from foreign countries, and by their being thrown into the active circulation from Indian hoards. It is thought, however, that the existing hoards in India would practically remain unaffected. The reduction of the rupee currency, it is said, might or might not prove a very expensive measure. It could be spread over a number of years, and, until it had been carried out to a sufficient extent, the gold standard would not be effectively maintained. Of course, while the reduction of the rupee currency was in progress, there would not be an effective gold standard; but even during that period of uncertainty it might be expected that the exchange with England would remain much steadier than it had been during the last few years.

Effect of the Proposals.

51. We proceed now to consider the proposal of the Government of India to close the mints, in the first instance, without adopting a gold standard, but coupled with the provision that the Indian Government should have the power of declaring English gold coins to be legal tender in India, at a rate, to be fixed by proclamation, such that the value of the rupee so fixed shall not exceed 1*s.* 6*d.*

52. Let us consider what would be the immediate effect of these proposals. First, then, as to their effect on the gold value of uncoined silver, and on the future relation of uncoined silver to the coined rupee.

53. Minting of silver would, for the time, be at an end, and this use of or demand for uncoined silver would cease to exist. What has been the use or demand? and what would it be likely to be in the future? Some notion may be formed on this point by examining the quantity of rupees coined in the last few years and of silver deposited in the currency reserves against the issue of notes.

54. The average amount of the new coinage in India has been as follows:—

	Rx.
1870–71 to 1874–75 (annual average)	2,931,282
1875–76 „ 1879–80 „ „	8,493,881
1880–81 „ 1884–85 „ „	4,480,408
1885–86 „ 1889–90 „ „	8,310,788
1890–91 (one year)	13,163,474
1891–92 „ „	5,553,970
1892–93 „ „	12,705,210
Yearly average, 1870–71 to 1892–93	6,630,628
„ „ 1875–76 „ 1892–93	7,658,223

55. The annual average of silver bullion in the paper currency reserve has been as follows:—

	Rx.
1870–71 to 1874–75 (annual average)	1,468,771
1875–76 „ 1879–80 „ „	1,319,060
1880–81 „ 1884–85 „ „	756,894
1885–86 „ 1889–90 „ „	1,019,828
1890–91 (one year)	747,974
On the 31st of March 1892 it was	1,775,569
The average for the 22 years being	1,152,105

56. Looking to these figures, it will be seen that the absorption by India of silver for currency purposes since 1875 has averaged more than Rx. 7,700,000 a year. The coinage from 1885–86 to 1892–93 was Rx. 72,976,594, making an annual average of about Rx. 9,122,000. This is equivalent to 34,200,000 ounces of silver. Total demand of India for currency purposes.

57. The net imports of silver into India have been as follows:— Imports of silver into India.

	Rx.
1870–71 to 1874–75 (annual average) - -	3,063,082
1875–76 „ 1879–80 „ „ - -	7,054,200
1880–81 „ 1884–85 „ „ - -	6,080,527
1885–86 „ 1889–90 „ „ - -	9,635,134
1890–91 - - (one year) - - -	14,175,136
1891–92 - - „ „ - - -	9,022,184
1892–93 - - „ „ - - -	12,863,569
Yearly average, 1870–71 to 1892–93 - -	7,183,722
„ „ 1875–76 „ 1892–93 - -	8,328,344

So that nearly the whole of the silver imported into India has been absorbed by currency demands, or has passed through the mints.

58. The United States currency demand is 54,000,000 ounces of silver a year. United States currency demand.

59. The production of silver in the world is estimated for 1892 to have been from 152,102,000 to 157,535,000 ounces. Production of silver in the World.

60. The currency demands of India, therefore, have during recent years been nearly a quarter, and those of the United States rather more than a third, of the whole world's production. If, therefore, either the one or the other were to cease, there ought, according to general laws, to be a great fall in the value of silver, and, if both were to cease, the fall ought to be very great indeed, until the reduction of the demand had produced a similar effect on the supply. We have already explained that this reduction in supply might not follow for some time the diminution of demand, and the fall might be protracted for a long time. Probable consequence of cessation of American and Indian demands.

61. No safe inference, however, as to the effect of the cessation of the Indian or American demand can be founded exclusively on these figures. Apprehension of the future often operates on the minds of men, and produces an effect on the market greater than the actual circumstances of demand and supply would seem to warrant. The closing of the Indian mints would, no doubt, make it more likely that the United States would give up buying silver; and, if the apprehension of this were added to the cessation of the Indian demand, the effect might be a panic in the silver market. Eventually the price of silver would, no doubt, settle down to the new circumstances of demand and supply. Possible panic.

62. There is still another element to be considered. If the effect of the proposal of the Indian Government were, sooner or later, to cause a demand for gold in India which does not now exist, it might raise the value of gold as against all other things, including silver. In other words, the gold price of silver might be still further diminished. Possible rise in value of gold.

63. All the factors of the problem are so uncertain that it is impossible to predict, with any confidence or in numerical terms, what the effect of closing the mints would be on the value of uncoined silver. The greater the effect, the greater, of course, would be the difference in value between coined and uncoined silver in India, and the greater the dangers, whatever they may be, which might arise from that source. Effect on value of uncoined silver.

64. Next, as to the effect of simply closing the mints, on the future value or gold price of the rupee. If there be already, as there is reason to suppose, a quantity of unused rupees in India, they would have to be absorbed before the closing of the mints produced an effect on the value of the rupee. In that case, there might be some time to wait before there was any increase in its value. The apprehensions of men concerning the future might cause an immediate effect of a serious character; but we cannot venture to say for what length of time this would be maintained. Neither could we trace the progress of the enhancement of the value of the rupee, in respect of time or place, which we should expect to follow the closing of the mints. Effect on value of coined rupees.

Effect of closing the mints, coupled with making the sovereign a legal tender at 1*s.* 6*d.* the rupee.

65. It is impossible to estimate the extent to which the rupee might be raised, if the Indian mints and Indian currency were to remain closed against both precious metals. The Government of India, however, add the proposal to make English sovereigns legal tender at a ratio which is not to exceed 1*s.* 6*d.* to the rupee; and it remains to be considered what would be the effect of stopping the free coinage of silver, taken in conjunction with this condition. The proposal would leave it in the discretion of the Indian Government either to fix that ratio at once, or to proceed by successive stages. If the higher ratio were adopted, if the Government were not itself to add rupees to the currency, and if in consequence of the closing of the mints exchange rose rapidly to that ratio, the difficulties and evils arising from an appreciation of the currency, to which we shall have to call attention hereafter, would be so much the greater; if a lower ratio were adopted in the first instance, and if exchange were to rise more gradually, these difficulties and evils would be less; but, whichever plan were selected, the Indian Government would probably be deemed by the public to have decided that eighteen-pence was to be the gold value of the rupee, which consequently would be regarded as a limit. When that limit was reached the currency would again become automatic, since gold sovereigns could be freely exported to India to serve as currency there.

Objections to the proposals: (1) *as to their practicability.*

Practicability of maintaining the rupee at an artificial value.

66. The first objection taken to the scheme of the Indian Government is, that it would not be practicable to maintain the rupee in the manner suggested, on a ratio to gold much higher than that of the intrinsic value of the silver of which it consists. We have already alluded to the reliance placed by the Government of India upon the phenomena exhibited in the currency system of France and other nations. It will be important, therefore, to direct attention to the essential features of the present Indian currency, and to consider what light is thrown upon the proposals of the Government of India by the experience derived from the currency arrangements of other countries.

Precedents.

Different Currency Systems of different Nations.

1. *United Kingdom.*

Principles of currency of United Kingdom.

67. The present Indian monetary system is substantially modelled on that of the United Kingdom, the essential features of which are,—

1. The standard coin to be of one metal, gold.
2. The mint to be open to the free coinage of this metal, so that the quantity of current coin shall be regulated automatically, and not be dependent on the action of the Government.
3. Token coinage to be of a different metal, or metals, subsidiary to the standard coin, legal tender only to a limited amount, and its face value and the price in the standard metal at which it can be obtained from the Mint being greater than the market value of the metal contained in it.

It may be added that, under the Act of 1844, paper money is convertible on demand into gold, its quantity above a fixed amount varying with the quantity of gold against which it is issued.

Gold formerly considered the principal medium of exchange.

68. Lord Liverpool and other authorities would have added that the standard metal, gold, should be the principal medium of exchange, but this is no longer the fact. Gold is the standard or measure, but for the most part not the medium itself. Though, however, in wholesale transactions, and in a great many retail purchases, gold is no longer the medium of exchange, the use of gold coins is probably greater in the United Kingdom than in most other countries.

69. As regards the stocks of gold and silver (other than mere token money) in the United Kingdom and in India, such information as we have been able to obtain leads to the conclusions contained in the two following paragraphs.

Stocks of legal tender money in the United Kingdom.

70. In the United Kingdom the amount of gold and silver available for the purposes of currency is uncertain, but the Mint estimate of the gold in circulation is 91,000,000*l.*, of which the amount in banks (including that in the Issue Department of the Bank of England and in other banks against which notes are issued) is stated to be 25,000,000*l.*

There is also the fiduciary issue of notes by the Bank of England and other banks, which at the close of 1892 stood at 27,450,000*l.*

It must, however, be remembered that the gold held by the Issue Department of the Bank of England, and the gold held by the Scotch and Irish Banks in respect of notes issued beyond the authorised limits, cannot be looked upon as an integral portion of the currency, since it cannot be used at the same time with the notes which are issued against it; but the amount is included in the sum of 91,000,000*l.* above mentioned, in order to facilitate comparison with foreign countries which keep a gold reserve against their notes, though not under conditions so strict and specific as those of the English Act of 1844.

India.

71. In the Indian currency system, as established in 1835, silver takes the place which gold occupies in the English system. Cheques, bankers' money, and other credit, have not, in India, replaced the metallic currency to the same extent as has been the case in England. Principles of currency in India; stock of silver.

The Indian mint is open to the free coinage of silver; the rupee and the half-rupee are the only standard coins, and are legal tender to an unlimited amount. It is uncertain what is the stock of rupees in India, but it must be very large; Sir David Barbour says that the amount in active circulation, in which of course the hoards are not included, has been recently estimated at Rx. 115,000,000; and by some writers it has been placed much higher. Mr. F. C. Harrison, who has taken great pains in the investigation, puts it at Rx. 134,170,000, besides Rx. 30,000,000 of the coins of Native States.

Gold is not legal tender, and there are no current gold coins.

There is a subsidiary silver fractional coinage, which is legal tender only to the limit of one rupee.

Paper money may be issued to the amount of 8,00,00,000 rupees against securities; and beyond this only against a reserve of coin or bullion deposited. The amount of notes so issued was Rs. 26,40,18,200 on the 31st of March 1893, and the reserve was constituted as follows:—

	Rs.
Coin	17,53,85,744
Bullion	86,82,456
Securities	8,00,00,000

For the purposes of the Paper Currency India is divided into circles, at present eight in number. The notes are legal tender for five rupees and upwards within the circle for which they are issued, and are convertible at the office of issue, and (except in the case of British Burma) at the principal city of the Presidency to which the circle of issue belongs.

72. When we proceed to examine the currencies of other countries, we find that many of the conditions which have been considered essential in the English and Indian currencies are either wanting altogether, or have been replaced by other conditions. The following is a short statement of the most important features in these currencies, and of the stock of gold, silver, and notes, available for currency, so far as we have been able to obtain them, as they stood at the close of 1892; but we must guard ourselves against being supposed implicitly to accept all the figures. Other countries: principles of currency, and stocks.

United States.

73. The standard is gold, and the mint is open to gold. United States.

There is little gold coin in circulation, at any rate in the Eastern States, but a large reserve of gold in the banks and in the Treasury.

	£
Stock in the Banks	82,250,440
,, ,, Treasury	48,852,290

	£
Silver dollars in the Treasury	70,948,080
,, in circulation	12,334,490

and these, or the certificates issued against them, circulate at a gold value at the old ratio of 16 to 1.

There was also in the Treasury, of silver bullion, an amount valued at 17,874,430*l.*,

against which paper certificates are issued, which circulate at a gold value at the same ratio.

The aggregate paper currency was about 210,000,000*l.*

The silver currency and paper based on silver are accepted as legal tender to any amount, and there is no premium on the gold and gold certificates in comparison with them.

Silver maintained at ratio of 16 to 1.

74. In this case, a very large amount of silver, or certificates representing such silver, has hitherto been kept in circulation at the ratio of 16 to 1. But there is considerable apprehension concerning the difficulties which may arise if the compulsory purchase of silver by the Treasury for currency purposes should continue. Under the Bland Act, passed in 1878, these purchases amounted, as above stated, to about 20,600,000 ounces in the year, whilst under the Sherman Act, which was passed in 1890, these purchases have been increased to an annual amount of 54,000,000 ounces.

Canada.

Canada.

75. The standard is gold; but, though there is a provision for coining gold dollars at the rate of 4·86$\frac{2}{3}$ to the British sovereign, that is, at the ratio of 16 to 1, there is no Canadian gold coin, and little or no gold coin in circulation.

Canada has no mint. Fractional silver currency is supplied from England.

The stock of gold is said to be about 2,400,000*l.*

There are about 3,700,000*l.* worth of Dominion notes of various amounts, from 25 cents. up to 4 dollars; and the Banks may issue notes for 5 dollars or any multiple thereof, to an amount not exceeding their "unimpaired paid-up capital," such notes being redeemable in specie or Dominion notes; the present issue is about 7,000,000*l.*

The Dominion notes (unless it be for small amounts) are redeemable in "coin current by law in Canada," that is, in such dollars as above mentioned. The American silver dollar circulates at par, at the ratio of 16 to 1, although a Government proclamation was issued in 1870 declaring it to be legal tender up to the amount of 10 dollars, but only at 80 cents. per dollar.

Silver is not convertible into gold.

Notes and silver at gold value of United States.

76. This is a very remarkable case, since, without any gold currency, and without even a mint for gold, dollar notes and silver dollars circulate at the United States gold dollar value.

West Indies.

West Indies.

77. All the West India Islands and British Guiana have adopted the English currency, gold being the standard, but silver being a legal tender without limit. In practice, British gold is never seen there, but the circulating medium consists of shillings and Colonial bank notes. Except in British Honduras, no silver dollars are legal tender, but gold doubloons remain legal tender at 64 shillings (the rate fixed in 1838) throughout the West Indies.

In Jamaica and Trinidad, gold doubloons and United States gold coins are not uncommonly seen; they come from the Isthmus and Venezuela, and go to New Orleans and New York in a steady current.

In the Bahamas the United States gold dollar (worth 4*s.* 1·316*d.*) is popularly over-rated at 4*s.* 2*d.*, and consequently American eagles circulate freely (or did so until notes were introduced).

British Honduras has as its standard the silver dollar of Guatemala, which is a 5-franc piece without any gold behind it.

Silver token currency at gold value.

78. This is an instance of a gold standard without gold, and a silver token currency circulating to an unlimited extent at a value based on that gold standard.

Germany.

Germany.

79. Germany, in adopting a gold standard in 1873, adopted most of the features of the English currency system. The mint was opened to gold, and a subsidiary silver token coinage was introduced, limited in quantity by reference to population, and legal tender only to a limited amount. The peculiarity of the case of Germany is that 20,000,000*l.* worth of old silver thalers are retained in circulation at a ratio

of 15½ to 1, and are legal tender to an unlimited extent. Of the new coinage of gold, the Banks hold 34,250,000*l.*, in addition to 6,000,000*l.* stored at the fortress of Spandau, while the amount in circulation is estimated to be from 65,000,000*l.* to 70,000,000*l.*

The amount of paper currency issued is 6,000,000*l.* by the Imperial Government, 53,790,000*l.* by the Reichsbank, and 8,950,000*l.* by other banks, making a total of 68,740,000*l.*

80. On the whole, the German system approximates more closely than any other to our own, though it is said that there are not equal facilities for obtaining gold for export. Resembles that of United Kingdom.

Scandinavia.

81. The standard has been gold since 1873, and the mints appear to be open to gold, but there is little gold in circulation. Bank-notes convertible into gold are the ordinary currency. Scandinavia.

Silver is only subsidiary token currency. The stock of gold held by the Banks appears to be about 5,500,000*l.*, and of notes about 13,000,000*l.*

The Latin Union. Latin Union.

(*a*) *France.*

82. The mints are open to gold. France.

Silver coinage, except of subsidiary coins, has since 1878 been, and is now, prohibited under the rules of the Latin Union.

There is a large quantity of gold coin in actual circulation.

The peculiarity of the French currency is the large amount of 5-franc pieces which circulate at the old ratio of 15½ to 1. They are legal tender to any amount, and are accepted as freely as the gold coin. They are not legally convertible into gold.

The stock of currency appears to be as follows :—

	£
Gold, about	171,000,000
Silver	140,000,000
Notes	132,000,000

The notes of the Bank of France are convertible into gold or silver, at the option of the Bank. The Bank pays gold freely for home use, but, if gold is required in large quantities, especially for exportation, special arrangements must be made.

There is no difficulty in maintaining either the silver or the notes at their gold value.

83. Here is a currency which for all practical purposes appears to be perfectly sound and satisfactory, but which differs from our own in most important particulars. It is sometimes called "étalon boiteux" or limping standard; but, inasmuch as the mint is open to gold, and closed to silver, the standard is really gold, whilst a very large proportion of the currency is either inconvertible silver, or notes payable (at the option of the Bank) in silver or gold, maintained without difficulty at the above-mentioned artificial ratio. Gold standard, with much silver circulating at gold value.

(*b*) *Belgium.*

84. The mint is open to gold. Belgium.

The rules as to 5-franc pieces, as to the ratio between gold and silver, and as to legal tender, are the same as in France.

The stock of currency appears to be as follows :—

	£
Gold, about	5,000,000 or more.
Silver, 5-fr.	8,000,000
Notes	15,000,000

The notes appear to be convertible into either gold or silver, at the option of the Bank.

85. The situation is the same as in France; but inconvenience might be experienced, if the Latin Union were to be terminated, and the several members were obliged, under the conditions imposed by that Union, to liquidate in gold their silver currency held by France.

(c) *Italy.*

Italy.

86. The mint is open to gold.

The rules as to 5-franc pieces, as to the ratio between gold and silver, and as to legal tender, are the same as in France.

The stock of currency appears to be,—

	£
Gold	23,600,000
Silver, 5-franc pieces	4,000,000
Notes	57,000,000

There is very little metallic coin in actual circulation; the paper is at a discount, and the exchange below par.

87. The state of this currency is unsatisfactory, not, however, on account of the artificial ratio between gold and silver, but on account of the want of both metals, owing probably to the state of the finances and credit of the country. The same difficulty would arise as in Belgium, if the Latin Union were terminated.

Holland and the Dutch East Indies.

Holland and the Dutch East Indies. History of adoption of gold standard.

88. From 1847 to 1873, Holland and its dependencies had the single silver standard. In consequence of the changes in Germany and other countries in the north of Europe, which adopted the gold standard in 1873, Holland suspended the coinage of silver in that year. Silver could no longer be brought to the Dutch mint, and gold coin could not be issued, because the Dutch Parliament had not agreed on a gold coin or a gold standard. There was a certain quantity of silver coins in circulation, and their value, at this period, was regulated neither by the market value of gold nor by that of silver. The demand for coin was increasing in the years 1873 to 1875; and the result was that, whilst the value of silver, as a metal, was going down in the market, Dutch silver coins were appreciated as against gold. The rate of exchange on London, which oscillates now on the gold basis between 12·1 and 12·3 florins to the £ sterling, shrank to 11·12 florins.

In 1875 the gold standard was adopted, at a ratio of $15\frac{5}{8}$ to 1, and the Dutch mint was opened to gold; whilst the coinage of silver, except of subsidiary token coins, was prohibited, and remains so at the present time. A considerable quantity of gold coin was minted, which was, however, kept in reserve, and not used for internal circulation. Silver florins, at the gold value, were legal tender to any amount; and, with paper florin notes, which were also at a gold value, formed the internal circulation of the country. Neither silver nor paper is convertible into gold; but the Netherlands Bank has always been willing to give gold for exportation. In 1881 and 1882 the balance of trade turned against Holland, and the stock of gold ran down to about 600,000*l.* Under these circumstances, an Act was passed in April 1884, which enabled the Government to authorize the Bank to sell, at market prices, a quantity of 25,000,000 silver florins, whenever the state of the currency might demand it. This Act has never been brought into operation, but it has restored confidence; the necessary stock of gold, amounting now to upwards of 5,000,000*l.*, has been maintained; the Bank gives gold freely for export; and the exchange has continued steady, at from 12·1 to 12·3 florins to the £ sterling. No difficulty has been experienced, either in Holland or in her Eastern dependencies. The system of currency has always been, and still is, the same in both. There is no mint, and little or no stock of gold, in Java; and, at the same time, the rate of exchange between Java and Europe is always at or about par. It should be added that Java merchants can always do their business with gold countries through Holland.

The stock of currency is as follows:—

	In Holland.	In Java.
	£	£
Gold, about	5,200,000	500,000
Silver	11,000,000	2,773,000
Paper	16,000,000	4,250,000

Gold standard, with silver and paper currency.

89. This is a case in which the standard is gold, with little or no gold in circulation. The silver is kept at an artificial ratio much higher than its market value, although neither it nor the paper is convertible into gold except for purposes of

export. This artificial exchange is maintained in the Dutch East Indies, where there is little or no gold, as well as in Holland, where there is a limited stock.

Austria-Hungary.

Austria-Hungary: History of adoption of gold standard.

90. Before 1879 the standard coin was the florin, which was equal to $\frac{1}{45}$th part of a pound of fine silver. The mint was open to silver, and silver florins and silver florin notes were legal tender to an unlimited amount. The actual circulation consisted of florin notes, which were inconvertible; their amount was 52,500,000*l.* in 1879, and 69,500,000*l.* at the beginning of 1892. The average exchange on London for 10*l.* sterling was 141·78 in 1861,* after the Italian war. It became 109 in 1865, but rose to 125·98 in 1867, after the Austro-Prussian war. It fell to 110·53 in 1872, continued at 1·1 till 1875, but rose to 122·25 in 1877, 117·89 in 1878, and 116·63 in 1879. It seems that in the earlier years there had been a premium on silver, the paper money being depreciated below its face value, so that no silver was brought to be coined. But silver fell in price from 59¼*d.* per oz. in 1873 to 51¼*d.* per oz. in 1879; the notes ceased to be depreciated; and, as the Austrian mint was open to silver, it became worth while to bring silver to the mint to be coined; so that, between August 1878 and November 1879, the silver circulation had increased by 7,000,000*l.* Under these circumstances, the Austro-Hungarian Government, in March 1879, stopped the coinage of silver on private account, but continued coining it at their own discretion. The quantity so coined between 1880 and 1891 appears to have amounted to 125½ millions of florins. This state of things continued till 1891, when the Austro-Hungarian Government determined to propose the adoption of a gold standard, and to open the mint to gold; for which the necessary measures were passed by the Austrian and Hungarian Legislatures in August 1892. From 1879, when the mints were closed against the private coinage of silver, the average exchange for 10*l.* sterling rose from 117·83 fl. in 1880 and 1881 to 126·61 fl. in 1887, and then fell to 116·80 in 1891, and 119·29 in 1892. The whole oscillation between 1879, when the mints were closed, down to 1891, when the resolution to adopt a gold standard was taken, was less than 9 per cent., and at the end of the period it stood at nearly the same figure as at the beginning, though in the meantime the price of silver had fallen by nearly 12 per cent., and in 1891 it was more than 6*d.* per oz. lower than in 1879. The basis for conversion to a gold standard, which appears to have been founded on an average of this exchange, is a ratio of 18·22 silver to 1 gold, or 1 gold florin = 2 francs 10 centimes, making 120·1 florins equal to 10*l.* The mint is now open to gold.

Year.	Annual Average of Exchange on London in Vienna.	Average Price of Bar Silver per oz. in London. (Pixley & Abell.)
		d.
1873	110·89	59¼
1874	110·91	58 5/16
1875	111·78	56⅞
1876	121·32	52¾
1877	122·17	54 13/16
1878	118·99	52 9/16
1879	117·30	51¼
1880	117·83	52¼
1881	117·83	51 11/16
1882	119·60	51⅝
1883	120·00	50 9/16
1884	121·89	50⅜
1885	124·92	48⅝
1886	126·01	45⅝
1887	126·61	44⅝
1888	124·22	42⅞
1889	119·55	42 11/16
1890	116·05	47 1/16
1891	116·80	45 1/16
1892	119·29	39 13/16

The Austrian Government have now at their command a reserve of about 351,000,000 florins (or nearly 30,000,000*l.*) in gold, and it appears to be intended that a certain quantity of paper and of silver florins shall be withdrawn from circulation, and that the paper florins remaining in circulation shall be convertible into gold.

Parity of exchange maintained by closing mints.

91. This is a very remarkable case. The fall in exchange, which would have accompanied or followed the fall in the market value of silver, has been averted by closing the mints against free coinage of silver. Fair steadiness of exchange has been maintained for more than a decade, although the paper currency was inconvertible, and silver was coined on Government account alone; and, in the end, a law has been

* Table given by M. Soetbeer (*see* Appendix to Gold and Silver Commission's Report, page 209), which differs slightly from the figures of exchange on London given in the margin, which have been furnished by the Anglo-Austrian Bank.

passed for the adoption of a gold standard, a gold reserve has been accumulated, and the mint has been opened to gold.

A fractional subsidiary coinage of silver is provided for, but the currency will probably consist, in the main, of paper notes convertible into gold.

Brazil:

Brazil.

Parity of forced paper currency maintained.

92. The case of Brazil is perhaps the most remarkable of all, as showing that a paper currency without a metallic basis may, if the credit of the country is good, be maintained at a high and fairly steady exchange, although it is absolutely inconvertible and has been increased by the act of the Government out of all proportion to the growth of the population and of its foreign trade. The case, it need hardly be said, is not quoted as a precedent which it is desirable to follow.

The Brazilian standard coin is the milreis, the par gold value of which is 27*d.* A certain number were coined, but have long since left the country, and the currency is and has since 1864 been inconvertible paper. The inconvertible paper was more than doubled between 1865 and 1888, but the exchange was about the same at the two periods, and very little below the par of 27*d.* It had gone down to 14*d.* in 1868, the date of the war with Paraguay, but had risen again, and was in 1875 as high as $28\frac{3}{8}d.$ In 1869, when the quantity of paper money was increased from 12,468,000*l.* to 18,322,000*l.*, the mean rates of exchange showed an advance of about $11\frac{3}{4}$ per cent. Since the revolution which displaced the Empire and established the Republic, the paper issues of the banks were increased by more than 30,000,000*l.* in less than three years, so that the paper issue in 1892 amounted to 51,372,700*l.*, and, as the result of this, and of diminished credit, the exchange in that year ranged from $10\frac{1}{4}d.$ to $15\frac{3}{4}d.$

Results of Examination of different systems of Currency.

Parity of exchange maintained under various circumstances.

93. It is impossible thus to review foreign systems of currency, without feeling that, however admirable may be the precautions of our own currency system, other nations have adopted different systems which appear to have worked without difficulty, and have enabled them to maintain for their respective currencies a gold standard and a substantial parity of exchange with the gold-using countries of the world, which has, unfortunately, not been the case with India. This has been effected under all the following conditions, viz.:

(*a*) with little or no gold coin, as in Scandinavia, Holland, and Canada;
(*b*) without a mint or gold coinage, as in Canada and the Dutch East Indies;
(*c*) with a circulation consisting partly of gold, partly of over-valued and inconvertible silver, which is legal tender to an unlimited amount, as in France and other countries of the Latin Union, in the United States, and also in Germany, though there the proportion of over-valued silver is more limited, the mints in all these countries being freely open to gold, but not to silver, and in some of them the silver coinage having ceased;
(*d*) with a system under which the Banks part with gold freely for export, as in Holland, or refuse it for export, as in France;
(*e*) with mints closed against private coinage of both silver and gold, and with a currency of inconvertible paper, as has been temporarily the case in Austria;
(*f*) with a circulation based on gold, but consisting of token silver, which, however, is legal tender to an unlimited extent, as in the West Indies.

The case of Holland and Java is very remarkable, since in that case the gold standard has been maintained without difficulty in both countries, although there is no mint in the Dutch East Indies, no stock of gold there, and a moderate stock of gold in Holland; whilst the currency consists of silver and paper legally and practically inconvertible into gold, except for purposes of export. The case of Canada, which maintains a gold standard without a gold coinage, is also very remarkable.

Austria-Hungary compared with India.

94. The case of Austria-Hungary is also interesting, and presents a remarkable contrast to that of India, as will be seen from the following table:—

Years.	Average Value of Florin, deduced from the Table of Exchange on London in Vienna, given at paragraph 90.	Average Value of Rupee in London, for Bills on India (for Official Years 1873–74, &c.).	Comparison of the two Tables, taking the first Year as equal to 100.	
	d.	*d.*	Austrian Florin.	Indian Rupee.
1873	21·64	22·35	100	100
1874	21·64	22·16	100	99·13
1875	21·47	21·63	99·21	96·76
1876	19·78	20·51	91·40	91·75
1877	19·64	20·79	90·76	93·02
1878	20·17	19·79	93·21	88·56
1879	20·46	19·96	94·55	89·31
1880	20·37	19·96	94·13	89·28
1881	20·37	19·89	94·13	89·01
1882	20·07	19·52	92·74	87·36
1883	20·00	19·54	92·42	87·41
1884	19·69	19·31	90·99	86·39
1885	19·21	18·25	88·77	81·67
1886	19·05	17·44	88·03	78·03
1887	18·96	16·90	87·62	75·60
1888	19·32	16·38	89·28	73·28
1889	20·08	16·57	92·79	74·12
1890	20·68	18·09	95·56	80·93
1891	20·55	16·73	94·96	74·86
1892	20·12	14·98	92·98	67·04

It will be seen that a country with a silver standard, and a currency consisting partly of over-valued silver but chiefly of inconvertible paper, has been able, by closing its mints against private coinage for a series of years, and whilst still continuing to coin silver on Government account, to maintain a fairly steady rate of exchange with gold-using countries for a considerable period, preparatory to adopting a gold standard.

Russia.

95. Concerning the currency of Russia we have less information than in the case of other countries. But it appears that there is little or no silver or gold coin in the country, and that the currency consists of inconvertible paper roubles, based on silver. The Russian mint is now closed against the coinage of silver on private account. It is an interesting fact that the paper rouble, being in form a promise to pay silver, is now, owing to the fall in silver, exchanged for a higher value in gold than the silver which it promises to pay. Taking silver at 38*d.* per ounce, the silver rouble would be worth 23·774 pence, whilst the paper rouble is quoted at 25 pence. We have already called attention to a similar experience in the case of Austria-Hungary. The phenomenon can, of course, only arise when the amount of the paper currency is limited.

Result of the above precedents.

96. It would thus appear that it has been found possible to introduce a gold standard without a gold circulation; without a large stock of gold currency; and even without legal convertibility of an existing silver currency into gold. Before concluding, however, that these precedents are directly applicable to the condition of things existing in India, it is necessary to examine them carefully. There is no one of the countries above referred to in which silver has been so largely and so exclusively used as in India during the last half-century; and in most of them the people have been for long accustomed to deal with their silver coins on the basis of a double standard. To the Frenchman 5-franc pieces, to the American dollars, have for generations been not only so much silver, but the equivalent of a certain quantity of gold; and it would have been a shock to his habits and mode of thinking to treat them otherwise. It may be easier to maintain an old and well-known silver currency at a gold value in countries which have been bimetallic, and in which large quantities of gold and silver are already in circulation, than to introduce such a system into a mono-metallic silver country such as India. The case of Austria-Hungary again differs from that of India in some important particulars. In Austria-Hungary the standard was silver with an inconvertible paper currency; and the state of this paper currency was probably one of the chief factors which made a fundamental change necessary. In making the change the relation of Austria-Hungary to the neighbouring countries was, no doubt,

United States.

France.

Austria-Hungary.

an important consideration, and the fact that Germany and other States had adopted a gold standard rendered it expedient to take a similar course.

Holland and her dependencies.

97. Even in the case of Holland and its East Indian Colonies, which is *primâ facie* very much in point, there are differences which detract from its value as a precedent for India. At the time the change of standard was adopted, the relative values of silver and gold had not parted as they have since done; and, as regards Java, it must be borne in mind that, although it is an Eastern country dealing largely with silver-using countries, it has always had the same standard and the same currency as Holland, the change being made in the standard of both at the same time.

General conclusion.

98. On the whole, it seems to us that, whilst the differences we have pointed out prevent the cases of the countries referred to from being applicable in all respects as precedents to the case of India, and the circumstances of each particular country must be studied, yet the experience derived from the currencies of those countries is not without value as bearing on the questions which we have to consider, and is important as showing under what various conditions the exchange value of a currency may be maintained.

Use of Precious Metals as Currency in India.

Question as to difficulty of getting the people of India to adopt gold.

99. It has been objected that the natives of India are accustomed to silver; that the transactions are small in amount, so that silver is better suited to their use than gold; and that they will not willingly give up the rupee. The answer to this is, that it is not proposed to substitute the gold sovereign for the rupee as currency in ordinary use; and that the case would in this respect resemble that of many of the countries above referred to, where the standard is gold, but the ordinary currency is silver or paper.

Use of gold in India.

100. Moreover, gold has never been entirely out of use in India. It is true that in India silver has for the last 30 or 40 years been more exclusively used than in many of the countries referred to. But, though gold coins have not been in use as legal tender, and no fixed ratio has been established between gold and silver coins, there is no part of India in which gold coins are not well known and procurable, and recognized as a form of money, the value of the chief gold coins being regularly entered in the "Prices current." Until 1835 or thereabouts gold coins constituted a recognized part of the Indian currency, and they were received by the Government in payment of its demands till December 1852; and as late as 1854–55 gold coin to the value of 412,000*l.* was sent by the Government from India to London. The value of the gold imported into India in the eight years from 1862–63 to 1869–70 was no less than 50,000,000*l.*

101. Sir Charles Trevelyan, writing in 1864 in support of a proposal to make sovereigns legal tender in India, referred to the large importation of gold since 1860 as indicating "the determination of the people to have gold," and added that it "shows "that the Government would be cordially seconded by them in any attempt to "introduce a gold currency on a sound footing." The Secretary of State, Sir Charles Wood, when replying in the same year, wrote: "It is obvious, from the information "collected by Sir Charles Trevelyan, that there is a very general desire for the "introduction of gold coins in India," and "that the people, even in the upper and "remote parts of India, are well acquainted with the sovereign." There is little question but that these observations are as applicable at the present time as when originally made.

102. The introduction of gold coins on an important scale would necessarily take place through the banks; and the complete success of the paper currency, as to the acceptance of which by the people of India there had been, on the part of many persons, serious doubts, shows that there need be no hesitation as to the introduction of a gold legal tender coinage on the ground of its novelty.

103. It may be added that the value of the net imports of gold into India since 1880 has amounted to more than Rx. 44,000,000; and it might be expected that much of the uncoined gold now in India, which must be very considerable, would be brought to the mints if a gold coinage were introduced on a proper basis.

Objections to the proposals : (2) on the ground of inexpediency.

Objections to the proposals on the ground of inexpediency.

104. So far we have been considering whether the proposals of the Government of India are practicable. We turn now to consider the objections taken to those proposals, even assuming that they would be effectual to maintain a stable exchange. Some of these objections are equally applicable, whether the exchange is or is not materially raised above its present level. Others are only of force on the assumption that exchange is to be so raised. We will deal first with those which are directed against the scheme generally, on the assumption that the rate of exchange is not to be raised, but that a continued fall in the value of silver is likely to create a considerable divergence between the exchange value of the rupee and that of the silver of which it consists.

Objections (a) Supposing the ratio not to be raised, and silver to fall.

Spurious coinage.

105. It is anticipated by some that a serious amount of spurious coinage would result. If spurious coins to a large amount could be put in circulation, the transaction would, no doubt, be a profitable one; but, in countries where silver coins having an intrinsic value much below their nominal value are in circulation, spurious coinage would be an extremely profitable enterprise, and experience shows that the apprehended danger has not been realized in these countries. Against this, however, it is maintained by some persons that this affords no guide as to what would be likely to happen in India, the natives of which country might, in their opinion, be expected to display great skill in the manufacture of spurious coins, while the people who receive them are guided more by the weight of metal in the coin than by its appearance. It is difficult to estimate with precision the real extent of the alleged danger, but, when it is borne in mind that, in order to carry out operations on an extended scale, expensive and specially constructed machinery would be requisite, we doubt whether the danger of India being flooded with a large amount of spurious coin would really be a grave one.

Effect on hoards of silver.

106. The effect that, on the assumption with which we are now dealing, the closing of the mints would have upon the hoards of natives of India, and upon their silver ornaments, is more free from doubt. Coined rupees, of which it is said that the hoards chiefly consist, would be unaffected, except in so far as any further fall in their gold value would be prevented; but the uncoined silver and silver ornaments would cease to be convertible into rupees, and would certainly be depreciated in value. In times of scarcity and famine a considerable quantity of silver ornaments has found its way to the mints. During the period of the great famine in 1877 and the following years, for example, large quantities of such ornaments were minted. In three years no less than Rx. 4,500,000 were thus turned into money. It is said, however, that the transaction of converting silver ornaments or hoarded silver into money is not at the present time effected by the owner himself taking them or sending them to the mints for conversion into rupees; it is through the intervention of the village money-lender that the transaction is carried out. Uncoined silver would, it is asserted, still be converted into money in the same fashion. This is, no doubt, true, but it is obvious that the ornaments would not be converted on terms as favourable to the seller. It cannot, we think, be doubted that the closing of the mints would in this case depreciate the silver ornaments and the uncoined silver hoarded by the people of India. Such a use of ornaments is, however, said to be rare.

Existing losses would be stereotyped.

107. A further objection is to the effect that the proposal of the Government of India would perpetuate the burden hitherto experienced by India owing to the fall of exchange, and that it would be unfair to stereotype the loss of persons entitled to be paid in rupees, and to deprive them, by the act of the Government, of the chance of a rise. To this it may be answered that, having regard to the future prospects of the silver market, so far as they can be gauged at the present time, all persons concerned would probably be glad to lose their chance of a future rise on the terms of being secured against the effects of a fall.

Inconvertible token currency would be created, with a gold standard, but without a gold currency.

108. Another objection is that the proposal of the Indian Government will, if there should, in future, be a divergence between the value of the rupee and the market price of silver, have the effect of converting the whole of the currency of India into a token currency, which would in no way differ in principle from an inconvertible paper currency. It must, however, be remembered that, although a nation possessed of a fairly satisfactory monetary system might well hesitate to exchange it, even tem-

porarily, for an inconvertible currency, yet India already labours under difficulties the gravity of which is admitted. One of the greatest risks connected with an inconvertible paper currency is the temptation which it affords to the Government unduly to expand the amount in circulation; the proposal of the Indian Government, however, does not involve this danger. It is to be observed, too, that in the United States, in Germany, in the Latin Union, and in Holland, a very large amount of silver coins has, with mints closed against the free coinage of silver, been maintained as full legal tender at a gold value far exceeding that of the silver they contain; whilst in Austria-Hungary, during the recent fall in silver, a forced paper currency, founded originally on that metal, has, in exchange, more nearly corresponded with the original gold value of the silver on which it was based, than has the silver itself.

Currency would not be automatic.

109. Again, strong objections are urged to the power being placed in the hands of the Government to close the mints to the public, while retaining to itself the power to coin rupees, and thus to its being enabled at will to contract or expand the currency. But the assumption we are now making is that the exchange is not to be materially raised above its present level. If the rise were checked by the reception of gold, as suggested by the Government of India, the discretionary power vested in that Government would be confined within very narrow limits, because, if the rupee were to rise above the fixed ratio to such an extent as to cover the expenses of transmission and of coinage, it would become profitable to take gold to the Indian mint, or to send sovereigns to India, and thus the currency would be rendered automatic on a gold basis.

Burden of taxation would be increased.

110. It is further objected to the proposals of the Indian Government that they would make the value of the rupee greater than it otherwise would be, and that thereby the burden of Indian taxation would be increased. That part of the revenue which consists of fixed payments would remain unaltered in nominal value, whilst each rupee which the ryot pays would be worth more, and the rupee prices of the goods he produces would be less, than they would be if silver continued to fall. The argument is no doubt sound; but there are answers to this objection which have no little weight.

Present prices would not be altered.

111. Whether silver is falling or gold rising in value, or both movements are taking place, and whether an appreciating or a depreciating standard is the less open to objection, are questions of great difficulty. We are dealing with the assumption that the present ratio, or some ratio differing but little from it, is maintained. On this assumption, the present level of rupee prices would not be at once altered; and if, in future, rupee prices became less and the burden of existing fixed taxation became heavier, than they would have been if a silver standard had been maintained, this result would not be arbitrarily produced by the action of the Government, but would be due to the fact that the new standard was depreciating less or appreciating more than that for which it was substituted.

Alternative of increased taxation a still more formidable difficulty.

112. In the next place, it must be borne in mind that the alteration in the relative values of gold and silver has so increased the liabilities of the Indian Government in comparison with its revenues, as to make it necessary, in the absence of other remedies, to impose fresh taxation. The evidence we have had from men whose experience qualifies them to judge points distinctly to the conclusion that, supposing the choice to be between an indirect increase of taxation arising from arrest of the fall in the value of the rupee, or even from a considerable increase in its value, on the one hand, and the imposition of new taxation on the other, the latter of these courses would be far more likely to lead to popular discontent and political difficulty than the former.

Trade with silver-using countries.

113. The proposal of the Government of India, in so far as it rendered the exchange between India and gold-using countries stable, would introduce into the trade of India with silver-using countries the same disquieting influences which, it is alleged, at present hamper the trade of India with gold-using countries. It must, however, be observed that the trade of India with silver-using countries only amounts to about half of her trade with gold-using countries.

Trade of India in competition with silver-using countries.

114. Another objection strongly urged is that, if the proposal of the Government were carried out, and there should arise a great divergence between the ratio borne to gold by the rupee and by silver respectively, this would seriously affect the trade of India with silver-using countries, and stimulate in those countries the production of commodities which compete with Indian commodities in the markets of

the world, and that the effect of such increased competition would be seriously felt by India.

Exports of India to silver-using countries.

115. To deal first with the point as it affects the trade between India and the silver-using countries which now take her commodities. The most important of these is China, which now takes from India a large quantity of manufactured cotton goods. China, it is said, would not give more silver for these cotton goods than it did before, but, if the divergence between silver and the rupee were considerable, the same silver price would mean a lower rupee price. It is true this lower rupee price might represent a greater purchasing power than if the rupee had been allowed to fall *pari passu* with silver; but the manufacturer, it is contended, would find a difficulty in diminishing the rupee cost of production. Some of his expenses would consist of fixed payments, and the difficulty of diminishing the number of rupees paid in wages would be considerable. In the result, the trade would be less profitable, and its volume would be diminished. The reply made to this argument, is that the Indian produce imported into China is paid for ultimately by goods exported by China to other countries, and that, if the gold price of these commodities does not fall owing to a fall in the gold value of silver, they would realize a higher silver price, and that China would thus be able to pay a higher price for the Indian imports. We have already given our reasons for doubting whether the fall in the gold value of silver does operate, to any considerable extent, in reducing the gold price of commodities exported from silver-using countries.

Manufacture in such countries of goods competing with Indian exports.

116. It is suggested further that, if the fall of silver should continue to be considerable, it would afford a great inducement to promote the manufacture in China of cotton goods in substitution for those now imported from India, and stress is laid upon the fact that the production of cotton goods in Japan has already become considerable. To this it is answered that China is slow to move, and that the impediments and burdens which are imposed upon industrial enterprise in China are such as to render the fear that the suggested change in the currency system of India would greatly stimulate the production of cotton goods in China unreasonable. Fears have been also expressed lest the production of cotton goods in Japan, where there is practically a silver standard, should be further increased in consequence of the advantage which that country would gain by the fall in the value of silver, as compared with India if the exchange there remained stationary. As to this argument we may refer to the remarks in paragraph 27, in which we have expressed our view that the stimulus thus caused to the export trade of a country can only be transitory, and can continue only until circumstances have brought about the inevitable adjustment. In the same paragraph we examined the trade statistics of India, and could not see any evidence that a relation existed between a fall in exchange and the volume of exports.

Opium trade with China.

117. It is, moreover, objected, and for the same reasons, that the opium trade between India and China would be seriously affected if the currency proposals of the Government came into operation, and that India must be content to receive fewer rupees for the opium exported to China. The average annual value of opium so exported is about Rx. 10,000,000, and the greater part of the decrease in its export value, supposing such decrease were realized, would fall upon the Government. It is obvious that in that event the effect upon the revenue would be very serious. In the case of opium, as well as cotton goods, it is argued that there would be a tendency to replace to some extent the use of Indian opium by opium grown in China. The same answer which has been given to this argument in relation to the trade in cotton goods is equally applicable with regard to the opium traffic. It must be remembered, too, that the production of opium in China is at the present time very large. The amount imported from India forms only a small portion of the total consumption. Indian opium is in truth a luxury; its use in preference to Chinese opium is a matter of taste, and depends upon its real or assumed superior qualities. Under these circumstances, it may be doubted whether any considerable diminution in the rupee value of opium exports to China would be likely to result from the adoption of the proposals of the Indian Government.

Competition of silver-using countries with India in other markets.

118. Those who object that the trade of India with other silver-using countries would be diminished in volume and profit by the adoption of the Government proposals, lay, perhaps, even greater stress upon the advantage which a great divergence between silver and the rupee would give to those countries in their competition with India. Some of the articles exported by India are also produced in and exported from silver-using countries, and other important articles of Indian

trade are, it is said, capable of being produced there—notably in China. If there came to be a great divergence between the value of silver and of the rupee, a considerably lower gold price would, in China, represent the same amount of silver as before, whilst to India it would give fewer rupees. The Chinese would be content to take the same amount of silver, that is to say, the same silver price, that they have hitherto done, so that the Indian producer must rest satisfied with a lower rupee price, or perhaps be driven out of the market altogether through the stress of this competition. One reply given to this objection is that it involves the proposition that the continuous depreciation of the currency of a country, in relation to that of others, is advantageous to the commerce of the country whose currency is thus depreciated, and adds to its prosperity. This answer is not absolutely conclusive, because, even if it be true that the cost of production in wages and otherwise would ultimately adjust itself to the fall in the value of silver, yet it is impossible to deny that, until this adjustment has been brought about, the exporter in the silver-using country, who continues to pay the same nominal wages and whose nominal expenditure for production otherwise remains the same, has an advantage in competition with the exporter who receives a lower price than before, and who can only retain to himself the same advantages by a reduction of nominal wages; and it must be remembered that, in a country whose civilization is backward and whose industrial institutions are but little developed, the interval may be considerable before such an adjustment can be effected. But, allowing that the argument of those who raise the objection with which we have been dealing is not without foundation, consideration of the experience derived from a study of the history of Indian exports during the period characterized by a fall in the gold value of silver, as noticed in paragraph 27, leads us to doubt whether the suggested advantage is not much less than those who urge the argument suppose.

Tea plantations.

119. Those who are interested in the tea plantations of India, the produce of which is now exported in large quantities, maintain that their industry might be greatly crippled, if not extinguished, by the competition of China and Ceylon, if a gold standard were adopted in India only, and silver continued to fall heavily. It is to be observed, however, that the transfer of the commerce in tea from China to India, which has been going on for some years, has taken place whilst the two countries have shared alike the changes produced by the fall in the value of silver. But it is stated on behalf of the tea planters that, even though their success may be due to the Indian tea better suiting the wants of the consumers, yet the difference in the relative price in gold-using countries of Chinese and Indian tea might be such as to overbalance any advantages possessed by the Indian products, and cause the competition to be a disastrous one for the Indian producer. It must be added that the qualities of the Ceylon tea are much the same as those of Indian tea. It cannot be denied that, if the proposed currency change were adopted in India alone, its tendency might be for a time to benefit the producer in Ceylon, and perhaps the Chinese in his competition with the Indian. To what extent this tendency would prejudice the Indian producer it is impossible to forecast, and, even so far as it did so, it must be remembered that it would not necessarily entail disadvantage on the country as a whole; and, having regard to the history of the Indian tea trade, and to its great progress in recent years under existing conditions, we cannot think it likely that any very serious prejudice would result.

China might produce what she now imports from India.

120. We have already referred to the argument that China might, in the altered circumstances anticipated, produce, for her own consumption, commodities which she now imports from India. It is alleged that not only would she do this, but that she would also increase her production of cotton and other articles, for which her soil and climate are said to be suitable, and send them into the market to compete with Indian products. To this it is replied, and we think with force, that the want of railways and other means of communication in China, the heavy and arbitrary imposts to which production is there subjected, and other causes, deprive these apprehensions of any very serious foundation.

Balance of trade, and Council bills.

121. It is further objected that the balance of trade would be disturbed; that the export trade of India would be injured by a gold standard, and that India would thus, *pro tanto*, lose her power of paying her debts; that the Indian Government would, in consequence, be unable to sell their bills in London; and that they would be obliged to send silver from India, at a ruinous loss, to pay their gold debt.

122. This objection seems to depend on the question whether the export trade of India will be injured by the proposals of the Government of India, with which we have already dealt in paragraphs 27 and 114 to 120. As to the Council bills, it may be observed that they are only a financial mode adopted, as the simplest and best, by the Government of India, for the purpose of paying a gold debt to England, which in any case they must pay, and which other nations owing gold debts to England pay in other modes. They are orders for the payment of rupees in India, and the same end would be attained if the Government of India bought sterling bills of the exporting merchants in India, and sent them to be cashed on its account in London. Where a country has debts to pay it must pay them, and it will do so by means of exports, the transaction being effected in whatever methods are found to be most convenient.

Export trade.

Council Bills.

123. So far as concerns their effect on the import of silver into India, the Council bills now compete with silver; the closing of the mints to silver would relieve the Council bills from this competition, and the immediate effect would be a tendency for the bills to sell at a higher price. The merchant wishing to pay for Indian goods would have to pay more gold for the Council bills. If their price should rise so far as to make the business of buying Indian goods unprofitable, it would no doubt, *pro tanto*, check the export trade of India, and the price of the bills must fall. But it would only fall so far as would be necessary in order to make the trade again profitable. In short, India must pay her debts by exports, and the Indian Government cannot in any way avoid whatever expense is necessary in order to pay them. That these exports should ever consist of silver, depreciated as silver is in the Western world, is highly improbable; but, if this should turn out to be the case, it would be because silver was the article which India could best spare.

India must pay her debts in whatever is the most convenient form.

124. Fear has been expressed that the restriction of the coinage of rupees at the British mints would lead to an increase of the use of the coins of Native States in the British provinces. There are numerous Native States in different parts of India which exercise the right of coining, a privilege of which they are most tenacious, regarding it as an indication of sovereign authority. The currencies are very various in their details, the chief silver coin being the rupee, but with many variations in intrinsic value in the different States. In 1835, when the existing system of currency was adopted, a list of the various rupees then existing included no less than 300 different coinages (many, no doubt, obsolete), for the most part showing greater or less variations of value *inter se*.

Currencies of Native States.

125. The attempt made to facilitate the adoption of a common currency throughout India by an Act passed in 1876 has had no material effect. It provided that, on a Native State agreeing to abstain from coining for at least thirty years, and not to allow coins resembling those of British India to be struck under its authority, the Government of India would coin for the State rupees identical in weight and fineness with those of British India, but with a device differing from that before used by the State. Such coins would be legal tender in British India. Up to the present time, only four of the minor States have availed themselves of the provisions of this Act.

126. Sufficient information on the subject of the currencies of the various States is not available to admit of our giving any precise account of them, but there is reason to think that their issues are not on a scale of any considerable magnitude. The coinage of Hyderabad, the largest of the Native States, is stated to have been, in 1887–88, 816 tolas of gold and 15,051 tolas of silver, and, in 1888–89, 784 tolas of gold and 17,76,421 tolas of silver, the tola representing the weight of a rupee; the value of the Hyderabad rupee, commonly called the Hálli Sicca rupee, is about 14 per cent. less than that of the rupee of British India. The Baroda State coined 8 lakhs of rupees in 1883–84 and 9 lakhs in 1884–85, but in the three following years there was no coinage; new machinery for the mint was supplied in 1891. The Kashmir mint appears to be no longer in operation, and the States of Mysore and Rewah also are said to have no mints. The coinages of Holkar's Government at Indore, of Bhopal, and of Travancore, are reported to be very small in amount.

127. On the whole, it appears that the annual addition to the coinage of the Native States is of little importance. The coins of these States have a free circulation among the population of the border districts of those States and the British provinces, and at times are found at considerable distances from their place of origin. They are,

however, always liable to a charge for discount when circulating beyond the State from which they issue, and in no case are received at British Treasuries, by the railways, municipalities, or other local bodies, nor are they legal tender in British territory.

128. On this subject the Government of India, in a telegram of the 16th of March 1893, stated their opinion that they could easily overcome any difficulty that might arise in connection with rupees coined under the Native Coinage Act, 1876, before mentioned; and that they did not think that any serious difficulties could arise in connection with the coinages of Native States generally.

Ceylon and Mauritius.

129. We have had evidence from persons interested in the trade of Ceylon, expressing apprehensions that, if the proposed change of standard were to be made in India, and the present currency arrangements were to be continued in Ceylon, the effect would be prejudicial to the trade of that island. These apprehensions are of the same nature as those we have already examined on the part of the planters in India. It is obvious that, independently of these apprehensions, both Ceylon and Mauritius, which have the rupee as their standard coin, which have no mints of their own, and which import their rupees from India, would be affected by the closing of the mints and by the adoption of a gold standard in India. It would, in that event, be open to the Governments of those Colonies, to acquiesce in the action of India, or to establish currencies of their own, with or without local mints. If they should adopt a currency of their own, and if in India the rupee should, in consequence of the proposed changes, rise above its silver value, it would become profitable to export Indian rupees from those Colonies to India. Such an export would operate in the same way as a release of the hoards of coined rupees in India, and might, so far as it goes, delay the rise in the value of the rupee. But, according to the best information we can obtain, the stock is not so large as to be likely to have any considerable disturbing influence. It is no part of our duty to advise what action should be taken by the Colonial Governments, except to point out that they ought not to allow any coins which they issue to be so similar to the Indian rupee as to be mistaken for it, and thus to become current in India.

Objections (b) supposing the ratio to be raised materially above the present level.

Objections on the assumption that the ratio is raised materially above the present level.

130. We have been hitherto dealing with the proposals of the Indian Government on the assumption that exchange is at once fixed at a point not materially above its present level. The suggestion of the Government of India is that no ratio should be fixed immediately on the closing of the mints. Their proposal to take power to declare that English gold coinage shall be legal tender in India, at a rate of *not less than* $13\frac{1}{3}$ rupees to the sovereign, would, if acted upon, prevent the exchange from rising to any great extent above 1*s.* 6*d.*, that is, a ratio of silver to gold a little less than 20 to 1. As the present exchange value of the rupee is 1*s.* $2\frac{3}{4}$*d.*, and the ratio of silver to gold about 24 to 1, the Indian Government, though it may be that they would act gradually and tentatively, suggest the possibility of raising the ratio materially above the present level.

131. We have now, therefore, to consider what are the objections to these proposals, on the assumption that the exchange were so raised.

The same objections as if the ratio were not raised.

132. All the objections which have been urged as existing in the case of the assumption that the ratio were fixed at a point not materially above the present level are at least equally applicable in the case of that which we have now to consider; but the answers which have been given to them in the former case are not all of equal force where the ratio has been materially raised.

Spurious coinage: trade: inconvertible currency.

133. The dangers of spurious coinage and of depreciation of Indian hoards must increase in proportion to the difference between the value of the rupee and the market value of silver; and the trade difficulties due to a rising exchange, such as they are, would, of course, be the greater the higher the ratio was taken. Moreover, the difficulty of maintaining an inconvertible token coinage as full legal tender at a par value tends to increase with the difference between the legal value of the token coin and the metal it contains; but the cases of foreign currencies quoted above show that difficulties similar to those which are apprehended in the case of India have been successfully encountered.

134. We pass to the objections founded upon the effects on rupee prices, on taxation, and on other fixed burdens. These effects would be such as result from an appreciating currency, namely, first, to make prices lower than they would otherwise have been; then, though more slowly, to lower money wages, and to increase the burden of debts and of all fixed payments. It has been urged, in answer to this, that, whatever these evils may be, they are not greater than those which have in recent years been experienced from a depreciating currency, namely, prices higher than they would have been but for such depreciation, and debts and other just burdens lightened, to the benefit of the persons who pay, and to the injury of those who receive, including the Government. It has also been urged that, if future appreciation were due to the act of the Government, past depreciation has also been due to the adoption by the Government of an unstable and depreciating standard. But, even assuming that these answers are true in point of fact, it is no less true that, since the adoption of the silver standard in 1835, the depreciation of the silver currency has arisen from causes over which the Government have exercised no control, whereas any appreciation resulting from the raising of the rupee would be due to the direct action of the Government. Objections founded on effect upon rupee prices and fixed burdens.

135. It is impossible, in view of these considerations, not to come to the conclusion that to close the mints for the purpose of raising the value of the rupee is open to much more serious objection than to do so for the purpose of preventing a further fall.

136. It has been represented to us by the China Association, the Chambers of Commerce at Hong Kong and Singapore, and others interested in the Eastern trade, that a change such as has been proposed by the Government of India would be likely to be prejudicial to their interests. Although some of the facts to which we have already drawn attention indicate that the apprehensions expressed are excessive, and although some of the arguments which we have adopted are not inapplicable to their case, we have not thought it within the limits of your Lordship's reference to enter in detail upon the considerations suggested by these representations. Injury to Eastern trade.

Alternative Schemes.

137. Amongst the suggestions made for preventing a further fall in the value of the rupee, for counteracting the effect of the fall which has already taken place, and for adding to the resources of the Government of India, is a proposal to impose a charge on silver, which might take the form either of an increased seignorage on the coinage of the rupee or of a duty on all silver imported. It is claimed for this proposal that it would avoid direct and obvious interference with the standard of value, whilst it would bring in additional revenue to the Government. It is therefore desirable to examine it carefully. Charge on silver.

138. Let us first assume the charge to be a seignorage. In that case, it would be imposed only on the silver brought to be coined. It might take either of two forms, viz., a fixed charge of so much per ounce, or a charge varying inversely as the gold value of silver, so as to keep the rupee at a certain fixed ratio to gold. A fixed seignorage would be no remedy for a fluctuating exchange; because, whatever might be its present effect, it would fail to maintain a parity of exchange between the rupee and the sovereign if silver should fall further or should rise in value; and, although it might afford some present relief, a continued fall in exchange would leave India subject to the same difficulties as before. Seignorage. Fixed in amount.

139. A seignorage varying inversely with the gold value of silver is not open to the same objection. If this were adopted, so as to make the gold price of a given weight of silver plus the duty always equal to a given weight of gold, it would, no doubt, tend to maintain the rupee at a fixed ratio to the sovereign. But to provide from time to time for the necessary alterations in such a varying seignorage, so as not to embarrass trade or to encourage undesirable speculation, would be an administrative function of some difficulty. An intermediate course might be taken, making the seignorage vary, not with the daily rate of exchange, but at fixed intervals, say from year to year, so that the annual charge should vary inversely as the annual average gold value of silver for the preceding year. Though, judging by recent experience, this method would lessen considerably, without, however, entirely removing, the administrative difficulties above mentioned, yet, towards the end of the term for which the seignorage had been fixed, speculators would be en- Varying inversely as the gold price of silver.

couraged either to pour silver into India or to abstain from importing it, according as they expected the seignorage to be raised or lowered.

Indirect method of altering the standard.

140. The imposition of a seignorage necessarily enhances in an artificial manner the value of the rupee above the intrinsic value of the silver it contains, and tends to reduce the amount coined. Many of the objections, therefore, which have been urged to the proposals of the Government of India apply equally in principle to such a scheme. It is, in fact, an indirect method of attaining the end which the Indian Government propose to attain by closing the mints.

Regarded as a mode of raising revenue.

141. A ten per cent. seignorage, that is, an addition of eight per cent. to the present rate, even on the assumption that its imposition had no effect in reducing the amount coined, would only, on the average coinage since 1875, produce annually about Rx. 600,000; and, therefore, regarded as a mode of raising revenue, the relief afforded to the Indian Exchequer would not be sufficient to meet the difficulties which the Government have to encounter. It is impossible to anticipate that, with so heavy a seignorage, the amount coined would be as large as on the average of recent years; nor could any fixed amount be relied on, since it would depend on the state of the exchange, and on the quantity of silver brought to the mint. It is, in fact, open to the objection in principle which applies to many other forms of taxation imposed for purposes other than that of revenue, viz., that, in proportion as it effects the object of restricting the coinage of silver, it ceases to be profitable as a source of revenue.

Unsatisfactory.

Duty on silver imported.

142. It remains for us to consider the effect of imposing a duty on all silver imported, whether for coinage or otherwise. Such a duty would tend to restrict the supply of uncoined, as well as coined, silver; but, looking to the fact that nearly all the silver imported in recent years has been coined, this difference is not at the present moment of great importance. Subject to this distinction, the observations we have made on the proposals for a seignorage apply also to the proposal to levy a duty on uncoined silver, with the addition that such a tax would be difficult to enforce, and would be an encouragement to smuggling; and that, if it were made to vary constantly with the gold price of silver, the administrative difficulties would be even greater.

Coinage of heavier rupees.

143. The coinage of a new rupee, of greater weight than that at present existing, has been suggested as a remedy for the difficulty. If for this purpose the plan were adopted of recoining the existing rupees, it is evident that the expense, which must be calculated on at least 1,000 to 1,500 millions of rupees, would be very heavy, even if the measure did not attract to the mints hoards in excess of the amount in circulation; and, after the recoinage had been completed, there would be no security that it would be effectual, since a further fall in the gold value of the rupee would produce difficulties of the same kind as have now arisen. If, on the other hand, in addition to the existing rupees, heavier rupees were issued, there is the objection that, for some time at any rate, two kinds of coin would be in circulation, of different intrinsic worth, yet professedly of the same value; and there does not appear to be any advantage in this plan over that proposed by the Government of India.

Various schemes.

144. Other plans which have been suggested are, the introduction of a gold standard with a gold currency, the ratio of the gold and silver coins being notified from time to time according to the market rates of exchange; the adoption of a gold standard with a very high unit, rupees being made token coins, and currency notes of large denomination being issued for gold alone, but payable in either gold or rupees; the issue of currency notes, expressed in gold, but exchangeable only into rupees at the foreign exchange rate of the day; the establishment of a gold standard without a gold coinage, based on the credit of a reserve to be held by the Bank of England in India; the gradual introduction of a gold standard, by placing the rupee debt on a gold basis, and providing for the discharge of debts partly in gold and partly in silver, the proportion of the former being annually increased until the whole became fixed in gold; the adoption of a given amount of gold bullion as a standard for foreign and wholesale transactions, leaving the coins to be used as tokens for internal trade; the declaration that rupees shall be a legal tender in the United Kingdom; the issue of coins of mixed gold and silver; the basing of the currency system on a certain amount of Government sterling stock; the adoption of independent standards of gold and silver, to be in use at the same time.

145. We deem it unnecessary to do more than indicate in the briefest manner the nature of these proposals. Some of them are not within the power of the Government

of India, and others are impracticable for various reasons; while no one of them appears to be so free from objection as to justify us in advising your Lordship to reject in its favour the proposal of the Government of India.

Possible modifications of the proposals of the Government of India.

Possible modifications of proposals.

146. Your Lordship will observe that we have given most careful and anxious consideration to the objections which have been urged against the scheme of the Government of India; we feel that some of them have weight, and we regret that, in the opinion of that Government, it should be necessary to propose a measure which would undoubtedly be attended with some risks and inconveniences. We proceed to consider whether, in case it were decided to adopt such a proposal as that made by the Government of India, it would be possible, by any modifications, to remove or diminish the objections to which we have referred.

Provision against a sudden great rise in exchange.

147. It appears to be desirable that any such scheme should afford security against any sudden and considerable rise of exchange. If the closing of the mints were thought likely to lead to such a rise, the opposition to the measure would, no doubt, be greatly augmented. In all probability the cessation of free coinage of silver would be immediately followed by a fall in the price of that metal. If at the same time exchange rose considerably, the divergence between the rupee and its intrinsic value would become at once very marked. The difficulty of maintaining the rupee at its higher exchange value might be increased, and the apprehensions of disaster which are entertained, even if they be exaggerated or unreal, would be intensified.

148. Moreover, the rise in exchange would be calculated to lead to a fall in the price of Indian produce. And, if this were seen to follow, and believed to be caused by the action of the Government, public opinion might be disturbed and the situation might become critical. The view has been expressed that, even though the native producers might not be likely to be actively hostile to a scheme which left prices unaffected, they would be far from indifferent, and the state of things might become dangerous, if prices began to fall very sensibly.

149. What, then, would be the effect of the scheme suggested by the Government of India? Closing the mints, even if the Government of India were to issue the proposed notification that gold coins would be made legal tender at a rate of $13\frac{1}{3}$ rupees to the sovereign, might bring about a rise in exchange to the level thus indicated, viz., 1*s.* 6*d.* per rupee. It is true that those who think that exchange would not for a considerable time rise at all, and that even the existing ratio might not be maintained, may be right in their anticipations. But it must be admitted that on such a point no one can predict with certainty; exchange might rise suddenly and considerably, unless the Government were to interfere actively to prevent it; and the public would not feel any certainty as to the course they would take.

Ratio for coinage of rupees on tender of gold at the mints.

150. The scheme might, however, be so modified that the exchange could not immediately rise much above its present level. It might be provided that the mints should be closed to the public for the coinage of silver, but should be used by the Government for the coinage of rupees if required by the public in exchange for gold, at a ratio to be fixed in the first instance not much above that now prevailing, say 1*s.* 4*d.* the rupee. Any fear of a considerable rise would thus be allayed, and any evil effects of such a rise would be prevented. Moreover, even if silver fell, the divergence between the nominal and the intrinsic value of the rupee would not be so great as if exchange at the same time rose. There would be these additional advantages. First, the currency would not cease to be automatic. Next, it would be a less violent step than closing the mints altogether. They would practically remain open, subject to certain conditions. It would be the smallest departure from the *status quo* which could accomplish the object the Government of India have in view. Besides these advantages, there would be the further gain, that it would still leave the volume of the rupee coinage dependent on the wants of the people of India; and the fact that rupees might continue to be coined would tend to prevent silver falling as much as would be the case if it were supposed that the coinage of rupees was to cease altogether.

151. The Government of India have expressed the opinion that there would be no practical difficulty in carrying such a modified scheme as this into effect. It would not, of course, be essential to the plan that the ratio should never be fixed above

1*s.* 4*d.*; circumstances might arise, rendering it proper, and even necessary, to raise the ratio; and the Indian Government might be empowered to alter it with the sanction of the Secretary of State. Such a scheme would, indeed, in the first instance, be tentative, and would not impede further action if circumstances should render it desirable.

Acceptance of gold coins in payment of public dues.

152. It would be consistent with this scheme, and would serve as a means of familiarizing the public with the use of a gold currency, if the Government were to accept gold coins at the same ratio in payment of all dues.

153. Inasmuch as the course to be pursued in relation to the matter referred to us will come before Her Majesty's Government for decision, the Chairman thinks it right to abstain from taking any part in determining what recommendations should be made to your Lordship.

154. We desire to express our high appreciation of the benefit conferred upon us by the appointment of Mr. Waterfield to act as Secretary to the Committee. His knowledge, ability, and zeal have been of the greatest assistance to us throughout our protracted deliberations.

HERSCHELL.
LEONARD COURTNEY.
T. H. FARRER.
REGINALD E. WELBY.
ARTHUR GODLEY.
R. STRACHEY.
B. W. CURRIE.

Recommendations of the Committee.

Recommendations of the Committee.

155. It remains for us to state the conclusions at which we have arrived. While conscious of the gravity of the suggestion, we cannot, in view of the serious evils with which the Government of India may at any time be confronted if matters are left as they are, advise your Lordship to overrule the proposals for the closing of the mints and the adoption of a gold standard, which that Government, with their responsibility and deep interest in the success of the measures suggested, have submitted to you.

156. But we consider that the following modifications of these proposals are advisable. The closing of the mints against the free coinage of silver should be accompanied by an announcement that, though closed to the public, they will be used by Government for the coinage of rupees in exchange for gold at a ratio to be then fixed, say 1*s.* 4*d.* per rupee; and that at the Government treasuries gold will be received in satisfaction of public dues at the same ratio.

157. We do not feel ourselves able to indicate any special time or contingency when action should be taken. It has been seen that the difficulties to be dealt with have become continually greater; that a deficit has been already created, and an increase of that deficit is threatened; that there are at the present moment peculiar grounds for apprehension; and that the apprehended dangers may become real with little notice. It may also happen that, if action is delayed until these are realized, and if no step is taken by the Indian Government to anticipate them, the difficulty of acting with effect will be made greater by the delay. It is obvious that nothing should be done prematurely or without full deliberation; but, having in view these considerations, we think that it should be in the discretion of the Government of India, with the approval of the Secretary of State in Council, to take the requisite steps, if and when it appears to them and to him necessary to do so.

LEONARD COURTNEY.
T. H. FARRER.
REGINALD E. WELBY.
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R. STRACHEY.
B. W. CURRIE.

Henry Waterfield,
Secretary.

It seems to me that our judgment of what the Home Government should do in reference to the proposals of the Government of India must depend upon the view we take of the cause of the divergence in value that has arisen between gold and silver. The Indian Government has to make large annual payments in gold, whilst its receipts are in silver. Has gold become more valuable in itself, or silver less valuable in itself, or if both movements have happened, which has been relatively greater? If gold has become more valuable, the burdens of India have become greater than was contemplated or intended, and we must ask ourselves whether they can be in any degree reduced. If silver has become less valuable, the taxation of India is made lighter, and we may freely examine the means, direct or indirect, of raising it. If an intermediate hypothesis is adopted, our way of viewing the problem must be modified accordingly. In our Report we have not examined this preliminary question, but I hold it the first to be determined. For reasons upon which I do not now enter, I have come to the conclusion that the divergence between gold and silver has been, to a large extent, due to an appreciation of gold; and this opinion necessarily affects my judgment of the policy of the Indian Government, which is to adopt a gold standard instead of one of silver. This is to accept as unalterable, if not to intensify, the aggravated burden thrown upon India. It may be that no other course is possible, but the Home Government should ask itself whether it is through its own action that no other course is possible, and whether the Indian Government might not propose a very different course if there was any chance of its being favourably considered by the Supreme Government. I am myself drawn to the conclusion that the Home Government is the greatest obstacle, perhaps the only substantial obstacle, to the establishment of an international agreement for the use of silver as money, which, without attempting to restore the position of twenty years since, would relieve India from the anxiety of a further depreciation of its revenue in relation to its liabilities. The problem may be thus stated:—The Indian Government asks permission to adopt a certain course, but, as is well understood, not the course it would, of its own free will, first desire to be adopted. In considering whether the course actually proposed should be sanctioned, we cannot refuse to consider whether there are invincible obstacles to the entertainment of the course which would be the first preference of India.

If I am to put aside the previous question, and confine myself to the proposition whether the Indian Government should be allowed to suspend the free coinage of silver, so as to enhance the value of the coined rupee till it reached a certain relation to the sovereign, such as 1 to 15 (1*s.* 4*d.*) or 1 to $13\frac{1}{3}$ (1*s.* 6*d.*), I concur in the report of my colleagues, subject to the following reservation:—In paragraph 139 I think we have overrated the difficulty and delicacy of the administrative function involved in the plan there discussed. I believe action would be fairly simple, if the plan were practically tackled. The mints of India are not so numerous as to prevent a daily telegraphic message of the seignorage to be charged, if such frequency should be deemed necessary. The embarrassment to which a person in London, wishing to make a remittance in India, would be exposed from his uncertainty as to what the seignorage would be when silver reached an Indian mint, would be of the same character as his present embarrassment in not knowing what the exchange would be when silver reached India, if he sent it out.

LEONARD COURTNEY.

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1. In the year 1878 the Government of India made a proposal that the mints should be closed against the free coinage of silver until the rupee should rise in value to 2*s.* or one-tenth of an English sovereign. In making this proposal, and on other occasions, the Indian Government expressed themselves in very strong terms* concerning the dangers and difficulties, present and prospective, caused to India by the fall in silver. A Committee appointed by the Secretary of State, of which we were members, reported unanimously against the above-mentioned proposal, and it was rejected by the Home Government.† Further experience shows that, whilst the views expressed by the Government of India concerning the future of silver have been fully justified by the fall which has since taken place, the present condition of India is scarcely such as to justify their estimate of the difficulties and dangers to the country which they believed would arise from it.

* See Despatch of 9th November 1878, para. 22, and Despatch of 4th September 1886, para. 24.

† See Treasury letter of 24th November 1879.

2. The following facts relating to the recent progress of India, are taken from a paper read by Sir W. Hunter (one of the greatest existing authorities on the subject) at the Society of Arts on the 16th February 1892.

Between 1881 and 1891 the whole number of the Army had been raised from 170,000 to 220,000, and the number of British soldiers in it from 60,000 to 71,000, or, including reserves, volunteers, &c., to very much more. Many large and costly defensive works had been constructed both on the North-West frontier, and on the coasts. In recent years almost all public buildings have been reconstructed on a large scale.

Railways, both military and commercial, have been very greatly extended. Notwithstanding these extraordinary expenses, there were, during the 25 years which followed 1862, 14 years of surplus and 11 years of deficit, yielding a net surplus of Rx. 4,000,000. In 1889 the public debt of India, exclusive of capital invested in railways, showed a reduction since the mutiny period of Rx. 26,000,000. The rate at which India can borrow has been reduced from 4 or 5 per cent. to a little over 3 per cent. The revenue of India, exclusive of railways and municipal funds, has grown between 1856–57 and 1886–87 from Rx. 33,378,000 to Rx. 62,859,000, and in 1891 it had increased to Rx. 64,000,000, or including railways and irrigation receipts to Rx. 85,750,000, and this increase is due to the growth of old revenue rather than to new taxation. Further, whilst the rent or land tax paid by the people has increased by one-third, the produce of their fields has more than doubled, in consequence partly of higher prices and partly of increase in cultivation. Further, in 1891 there were nearly 18,000 miles of railway open, carrying 121,000,000 of passengers and 26,000,000 tons of goods, and adding a benefit to the people of India, calculated as far back as 1886, at Rx. 60,000,000. Further, the Indian exports and imports at sea, which, in 1858, were about Rx. 40,000,000, amounted in 1891 to about Rx. 200,000,000, and the produce thus exported has increased in quality and variety no less than in amount.

3. Considering facts such as these, we should even now have difficulty in recommending the closing of the Indian mints against the free coinage of silver, if it were not for the circumstance that a further heavy fall in silver is possible, and in certain contingencies imminent, and that any such fall may bring with it mischiefs and difficulties much greater than any which have yet been experienced.

4. Under these circumstances, having regard to the part we have already taken in this matter, as well as to the present exigencies of the case, we are anxious to state, more fully and explicitly than is done in the Report we have signed, what is the full effect of the immediate step which we have agreed in recommending, and what precautions are, in our opinion, desirable, with a view to its ulterior consequences.

The step recommended is, that the Indian Government should be empowered to close the Indian mints against the free coinage of silver until the rupee rises in value so as to stand at a given ratio with the sovereign, such ratio to be little above the ratio which has recently been current, say 1*s.* 4*d.*, and that they should then be required to give rupees at that ratio for all gold brought to their mints. The immediate effect of this step will be to alter the Indian measure of value. As long as the Indian mint is open, the measure of value is the market value of the weight of silver contained in the rupee, but as soon as the mint is closed we can no longer be sure that this will be the case. Further, so soon as the rupee has risen to the given ratio, the fraction of an English gold sovereign represented by 1*s.* 4*d.* will become the measure of value. This is in itself a most important change.

5. To alter the measure of value by substituting one metal for another is at all times a matter of great gravity, and to do so at a time when the relations between the two metals are in a state of constant fluctuation renders the alteration still more serious.

6. At the same time, it is to be observed that the step which we recommend will produce the least possible immediate change. Its object is not so much to raise the gold value of the rupee, as to prevent a further fall. It does not materially alter the present relations between debtor and creditor, but, on the contrary, prevents those relations being altered in the future by a further fall. Moreover, it provides a means whereby, in case there should be a demand for currency, that demand will be supplied automatically, and not at the discretion of the Indian Government.

7. This closing of the mints is, however, only the first step in the process contemplated by the Indian Government, and that process will not be complete until gold

is made full legal tender, and is received into the Indian currency as freely as gold is received in England, or as silver is now received in India. This may be effected, either by the free coinage of gold at the Indian mints, or by the free reception, under arrangement with the Imperial Government, of gold sovereigns coined in England or in Australia as legal tender currency of India. When this is done the change will be complete, and India will then have a gold standard of value, and a gold automatic currency, the quantity of which will depend on the demand for it. What that demand may be is uncertain. Sir D. Barbour estimates the outside of the quantity needed to maintain the gold standard at 15,000,000*l.*, or one-fifth in value of the estimated present rupee currency. But, whatever the precise amount, the gold currency is not expected to be more than a small fraction of the actual currency in circulation.

8. This currency will in the main consist of rupees, each of which is intended to circulate, not at the value of the silver contained in it, but at the value of the gold contained in the fraction of the sovereign (1*s.* 4*d.*) which it represents. With the exception of the small quantity of gold in actual circulation, the currency of India will thus become a token currency of unparalleled magnitude; and, if the market value of silver should fall considerably, its value would become very much greater than the value of the silver contained in it. Under such circumstances, it will, to a great extent, resemble a paper currency, and, if it were not made exchangeable for gold on demand, would resemble in many respects an inconvertible paper currency. The question then arises whether it is certain that such a currency will be maintained at its gold value without further precautions.

9. It is no doubt true that, until the rupee has risen in value to this adopted ratio, the scheme will not have come into full operation, and that, when it has come into full operation, the restriction placed upon the issue of silver rupees will tend to keep the rupee currency at the fixed gold value. But it may well be questioned whether this restriction is, in itself, a sufficient guarantee that this gigantic token currency will, under all circumstances, be kept at par value. Sir David Barbour himself holds that eventually, if the scheme is to be successful, gold when required must be given for the rupee, either without a premium or at a small premium.

10. It is of course obvious that a great country like India, if she undertakes a token currency, is under an obligation to maintain its value, and that she ought to discharge that obligation by making it reasonably certain that, where gold is needed in exchange for rupees, it will be possible to obtain it at the fixed ratio.

11. It has been argued that this object might possibly be effected without requiring the Government of India to give gold for silver at that ratio, and without the public confidence in their ability to do this which would arise from their accumulating and possessing a stock of gold available for the purpose. Instances may, no doubt, be selected in which Governments have maintained their inconvertible token currency at, or nearly at, par, without these precautions. But a silver token currency, though not in form a promise to pay, really implies, as we have already said, an obligation to maintain its par value; and prudence as well as experience suggest that this obligation should be supported by the obvious means of fulfilling it.

12. The obligation on the Government to coin silver rupees when the rupee is at 1*s.* 4*d.* does not, in itself, carry with it a corresponding obligation on the Government to give gold for rupees, and is, therefore, if we are right in what we have stated above, imperfect without some expression of that obligation. But that obligation will not arise until the rupee reaches the exchange value of 1*s.* 4*d.*, and it may therefore not be necessary to provide a reserve of gold before this exchange is reached. This exchange, indeed, may not be reached at all, and in that case no gold reserve will be needed. But, if the measure operates as we expect, gold will probably flow in, and will replace silver as the reserve against the Government paper issue. If gold thus flows in automatically, the Indian Government will be thereby enabled to accumulate a moderate reserve; but, even if it does not, a reserve should, we contend, be provided before the Indian Government takes the final step of announcing gold as the standard, coupled with the correlative obligation to give gold for silver.

13. What amount of gold reserve may be necessary it is difficult to say, but, in order to have the desired effect, it must be substantial. Nor, considering that it will in all probability be generally resorted to for purposes of export, is it necessary to decide in what form or in what place it should be kept. The circumstances of India are

favourable for the accumulation of the necessary stock. India imports more of the precious metals than she exports; her inhabitants no doubt possess already a stock of uncoined gold; and, if the Indian Government receive gold in payment of debts due to them, gold ought to come to their treasuries.

14. At any rate, the expense necessary to procure and retain the requisite amount is one that cannot be avoided by any Government which desires to maintain the credit of its currency, and will be insignificant compared to the loss of which the Indian Government now complain.

15. Under these circumstances, we could not join in the recommendation contained in the Report, without at the same time recommending that the Government of India should, in view of the ultimate adoption of the whole of their plan, be prepared to secure the convertibility of their token silver currency, and should, with that object, accumulate a sufficient reserve of gold.

16. We think it right to add that the questions, whether gold has become more valuable in itself, or silver less valuable in itself, or whether both movements have taken place, and to what extent each movement has gone, as well as the further question between bimetallism on the one hand and a universal gold standard on the other, are questions of which we have taken no notice, as we do not think that they fall within the scope of the reference to us.

T. H. FARRER.
R. E. WELBY.

While cordially concurring with the views of my colleagues so far as they support the proposals of the Government of India, I should have preferred to approve those proposals without imposing the condition that the closing of the mints should be accompanied by an announcement that rupees will be coined in exchange for gold at the ratio of 1*s.* 4*d.*

It will be admitted that in a matter of this kind the minimum of State interference is desirable.

The only excuse for any action on the part of Government is that the evils from which they are suffering are becoming intolerable, and that, apart from the closing of the mints, no practical remedy has been proposed or is attainable.

In my opinion the proper course for Government to adopt is to issue a proclamation to the effect that,—

Having regard (1) to the redundancy of silver money in India, as evidenced by the accumulation of rupees and paper currency in the banks, and (2) considering the uncertain policy of other nations with respect to silver, the Governor General in Council has resolved to suspend for the present the coinage of silver.

One effect of such a measure must necessarily be that the London exchange banks, in tendering for Council bills, will be compelled to quote the price in sterling which they are willing to pay. Another probable effect will be that gold will be sent to India in increased quantity on private account in order to be exchanged into rupees; and it appears to me that the price in each of these cases, when extended over a considerable period of time, and after a certain degree of stability has been attained, will afford the best guide to Government in estimating the gold value of the rupee, whenever they are called upon to open their mints to the coinage of gold.

The Government of Austria-Hungary closed their mints to the free coinage of silver in 1879, but did not declare a ratio between gold and silver till 1892. It seems likely that an interval of time more or less prolonged may elapse before the Government of India will be in a position to declare a ratio, having regard to the great uncertainty of the effect which its action may produce upon the rate of exchange.

I prefer to leave full discretion to that Government to take such measures as occasion may require and experience may dictate, subject to the consent of the Secretary of State in Council.

I fear that any arbitrary action on the part of Government, in a matter respecting which it is impossible that all the facts can be present to their consideration, might lead to reclamations both from the public creditor and from others whose interests depend upon Indian exchange, and I am unwilling to take the responsibility of

attempting to fix a rate if the object can be practically accomplished by the natural action of the market.

Moreover, I fail to see what advantage would be gained by selecting the ratio of 22·37 to 1 (one and fourpence the rupee), rather than that of 18·22 to 1, which has been adopted with apparent success in Austria, or that which is in use among other nations.

If, contrary to expectation, exchange should rise suddenly in an inconvenient degree, I would meet the difficulty in the way proposed by the Government of India (quoted at paragraph 47 of the Committee's Report), by declaring that English gold coins shall be legal tender in India at a rate to be fixed by them.

B. W. CURRIE.

INDIAN CURRENCY COMMITTEE.

MINUTES OF EVIDENCE

TAKEN BEFORE

THE COMMITTEE

APPOINTED TO INQUIRE INTO THE

INDIAN CURRENCY,

TOGETHER WITH AN

ANALYSIS OF THE EVIDENCE

AND

APPENDICES.

Presented to both Houses of Parliament by Command of Her Majest

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ANALYSIS OF THE EVIDENCE.

MR. ROBERT HARDIE.

Is a Member of the Council of India; formerly Secretary of the Bank of Bengal, 1, 2.

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MR. ROBERT CAMPBELL.

Is Manager of the National Bank of India, which is largely concerned in exchange business, 145, 146.

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MR. JAMES THORBURN.

Is a partner in Forbes & Co., East India merchants; has been Director of the Bank of Bombay, and Chairman of the Bombay Chamber of Commerce, 291–297.
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MR. CHARLES GAIRDNER.

Is General Manager of the Union Bank of Scotland, 462.
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MR. CHARLES MACDONALD.

Is a partner in Macdonald, Miller, & Co., of Manchester; long engaged in trade with Bombay, and resided there many years, 562, 563.
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Mr. JOHN ALEXANDER BEITH.

Is a partner in Beith, Stevenson, & Co., of Manchester and Glasgow; financier and intermediary between manufacturers in Lancashire or Lanarkshire and merchants in the East, 664–669.
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Mr. JAMES LYLE MACKAY, C.I.E.

Is a partner in Mackinnon, Mackenzie, & Co., in Calcutta and Bombay, managers of the British India line of steamers, owners of jute and cotton mills and tea properties, and general merchants' agents, 951–957.
Is President of the Indian Currency Association formed in consequence of the depreciation and fluctuation of silver, 958–964.
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MR. NEIL McNEILL.

Is a partner in Messrs. Maclaine, Watson, & Co., merchants in Java and London; has resided long in Java; and is British Consul in Batavia, 1364–1369.
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Competition with silver-using countries, sugar-planting, 1396, 1403–1407, 1409, 1410, 1419, 1429–1436, 1443.
No mint in Java: coinage is entirely in Holland, 1390–1391.
Flow of coin both ways between Java and Holland: keeps exchange steady, 1460–1473.
Balance of trade is in favour of Java, 1417.
Exports are largely on Government account, 1466.
Cheapness of labour, and of articles consumed by labourers, 1401, 1407, 1411, 1412, 1428–1440.
Fluctuations in price of rice, 1440–1441.
Want of cash by labourers to pay taxes, owing to absence of free coinage of silver, 1441–1442, 1474–1476.
Official interests opposed to any further alteration of standard, 1457.
Sugar is financed, but not consumed, in England, 1470–1472.

MR. STEPHEN A. RALLI.

Messrs. Ralli Brothers have large export and import business with India, 1477–1483.
Fluctuations of exchange:
No difficulty has arisen, owing to all rupee assets having been placed on a sterling basis, 1484–1488.
Orders from India are settled by securing forward exchange, 1489–1495.
Native traders in Kurrachee suffered loss, because they had not secured the exchange, 1492–1493.
Banks have to be paid, but not much, when they take the risk, 1496–1498.
Manufacturers may lose on forward contracts, through a rise in exchange, 1562–1563.
Export trade has been greatly developed by the fall in silver, owing to higher rupee prices paid for the products, 1499–1509, 1522–1524.
Export trade has been greatly developed, by the reduction in freight, 1506–1509, 1512.
Imports not similarly discouraged, because the Native has received more rupees for his produce, and can buy more, and gold prices have fallen, 1513–1521.
Gold standard:
Will not give stability, 1528–1529.
Injury to Natives who have silver ornaments, 1530–1535.
Injury to payers of land revenue, 1530–1535.
Injury to export trade, if value of rupee be raised, 1536–1538, 1553–1554.
Investment of capital has not been hindered, 1545–1547.
Taxation could be imposed with less risk, 1539–1544, 1549.
Imports of silver into India, not for coinage, may be stimulated, 1556–1561.
Balance of trade may be reversed, and Government be unable to sell its bills, 1556–1561.
Java: dissimilarity from India, because Holland and Java have the same silver currency, 1550–1552, 1555.
Production of silver: impossible to say whether the great development will continue, 1525–1527.
Servants of Government need compensation; by his own firm, employés are allowed part of their salary in sterling, 1563.

MR. WILLIAM FOWLER.

Fluctuations in silver:
Difficulty of the Government, 1615, 1622–1623.
Expenditure on public works now charged to revenue should be partly debited to capital, 1623, 1655–1665.
Need of economy in military expenditure, 1623.
Difficulty of imposing taxation: economy far preferable, 1651.
Danger to trade exaggerated, 1614–1615.
Stoppage of free coinage of silver:
Would be dangerous, 1569–1572, 1589–1591.
Artificially raising the value of the rupee is bad, 1573, 1611–1612.
If Government shows want of confidence in silver, Natives will try to get rid of rupees, 1584–1588.
Effect on trade with China and the Straits Settlements, 1573–1584.
Effect on prices in India, 1589–1591, 1605–1607.
Prices in India have not fallen, 1570.
Silver prices are more stable than gold prices, 1587.
Gold standard:
With a gold currency: objections to: want of gold: effect on prices, and on European gold market, 1624–1625, 1633, 1643, 1683–1690.
Requires a gold circulation, 1566–1568, 1607–1608, 1624.
As to a small amount of gold currency being sufficient, 1669–1683.
Without gold coinage, would show that Government had lost confidence in silver: gold is essential, 1592–1594, 1607–1608, 1624.
Effect on prices, 1608–1610.
Trade with gold-using countries: increase in rupee and in sterling values, 1595–1604.
Effect of fixing ratio at market value, 1613–1614.
Ricardo's scheme of notes guaranteed by Government, unsuitable, 1624.
Holland: example of: has a good credit, 1626–1627.
Java: example of, 1616–1619, 1666–1681, 1690.
For the whole world: doubt if it would be possible: demonetization of silver would cause enormous loss to some one, 1635–1650.
Silver standard the more stable, 1594.
Difficulty of having the standard in a different metal from the currency, 1650.
Ratio: as to maintaining its stability, 1605.
Silver circulation not redundant, 1593.
Hoarding of silver in coins and ornaments, 1571.
America: possible effect of her discontinuing purchases of silver, 1620–1621.
Production of silver and gold: alteration of relative amounts, 1621.
Import duty on silver and heavy seignorage undesirable, but preferable to stopping coinage or increasing taxation, 1634, 1652–1654.
Bimetallic arrangement between India and other countries, without England: India should be left free to make her own bargain, 1634.
Gold: as to its coming out of hoards, 1630–1632.
Austria: gold standard: has not caused any great pressure on the money market, 1629.
Paper currency: very small in India, 1627–1628.
Small notes: as to, 1646.

MR. HERMANN SCHMIDT.

Difficulty of the Government of India, 1691–1692.
Gold standard, with rupees as legal tender, like "limping standard" of France, &c., 1693–1698.
Double standard:
France: power to have silver coined, 1712–1720, 1724.
Holland: emample: Mr. Van der Berg's opinion: power to coin silver, 1699–1711.
Spain: monetary arrangements, 1720–1723.
Gold standard:
Without a large stock of gold, impossible in India: effect on trade and prices, 1725–1728.
Amount of gold required: example of
France, 1728.
Spain, 1728–1734.
Italy, 1729–1730.
Holland, 1725, 1742–1746.
Java, 1746, 1751–1758.
Silver circulation in India, 1735–1741.
Ratio: as to fixing it above market rate:
Effect on prices, and on revenue of Government, 1747.
Effect on balance of trade, 1747–1750.
Would not have reduced volume of trade, 1749.

MR. ARCHIBALD MACCOLL.

Was formerly a merchant and banker in Java, and member of the Batavia Chamber of Commerce, 1760.
Netherlands India:
Currency previous to 1873 was very unsettled, 1810–1818.
Currency was placed in 1873 on gold standard, with gilders at fixed ratio to gold, 1761–1762, 1817.
Currency of Holland and Java:
Are the same, 1791–1793.
System has worked well on the whole, 1763–1766.
Some merchants and planters think Java has prospered less under gold standard, 1767–1770, 1783.
Inquiry ordered owing to their representations: political effect in Batavia and Holland, 1771–1782.
General feeling in favour of maintaining the present currency system, 1784–1785.
Gold can be obtained in moderate quantities, but not demanded, 1814–1817.

Netherlands India—*cont.*
Investment of capital is promoted by fixity of standard, 1808–1809.
Trade:
Nature of, 1789.
Mode of effecting commercial transactions with Holland, 1786–1789, 1817.
With China and Straits, not seriously affected by fixing standard, 1790.
Debt of Java, and its payments for extraordinary expenditure, 1794–1795.
Holland: position very different from England: Dutch aim at fixed small profits without speculation, 1791.
Straits Settlements:
Trade: question whether it has prospered under the silver standard, 1798–1807.
Mining, 1801.

MR. JAMES HUME SLEIGH.

Is Secretary and Treasurer of the Bank of Bombay; experience in India is entirely connected with banking, 1818, 1871.
Stoppage of free coinage of silver:
Ratio of rupees to gold must be fixed at once, and above market rate, 1825–1826, 1866–1869.
Fixed ratio could be maintained, 1837.
1*s.* 6*d.* would be a reasonable starting point, 1832.
Would depress silver, 1830–1831.
Would compel banks to remit gold, and would raise exchange, 1819–1829, 1833–1836.
Silver coin is needed in India; Government would continue to coin amount needed to replenish stock, the want of which would be evinced by rates of discount, 1839–1848.
Gold standard:
Effect on import trade; it would check export trade temporarily, 1861–1865.
No great stock of gold needed at first, 1838.
Effect of demand for gold on western money markets, 1834–1836.
Gold coinage:
Opening of mints undesirable at present, as gold coins would disappear, 1854–1856.
Hoarding of gold would be stimulated by it, 1856–1857.
Government must keep in store gold paid to them in excess of their requirements, till it can be safely issued to the public, 1858.
Gold might be taken to the mints, without liberty to coin it, in exchange for rupees; this would to some extent automatically regulate the demand for currency, 1859–1860.
Ratio can be maintained, without stopping free coinage, 1849–1852.
Bimetallism is the best remedy: next to that, a gold standard, 1870.

SIR FRANK FORBES ADAM, C.I.E.

Has resided in India 17 years, and been President of the Chamber of Commerce, and of the Bank, and Member of Council, at Bombay, 1872–1873.
Difficulties of the Government of India:
Are much exaggerated, 1875, 1890.
Credit of the Government is unusually high; rate of interest on debt has been reduced; and ordinary debt has been paid off out of revenue, 1890, 1895, 1902–1905.
Budgets on an average show a surplus annually, 1891.
Exceptional expenditure has been met, 1892–1893.
Loss on home charges is exaggerated, allowance not being made for gains, 1894.
Land revenue; Government would have had much less, with a gold standard, 1896.
Taxation; not much additional; imposed on petroleum, incomes, and salt, and removed on general imports, 1899–1901.
Revenue has expanded under almost every head, 1902.
Railways and irrigation works have been much developed, 1924–1925.
Mills and other industries: extension, 1926.
Tea: increase of cultivation, 1997.
Investment of capital in India, 1927.
Treasure, imports of, 1929.
Fluctuations in exchange:
Have been most beneficial to export trade: great development of trade during the period from 1880 to 1887, 1906, 1978, 1986*a*.
Fall in gold prices has given producers in India a much greater number of rupees, and has saved them from reduction of the silver price of their produce, 1885, 1906.
Have been very beneficial to the people of India, 1907–1914.
Have not been injurious to England, 1909–1914.
As to stability of a standard, 1915–1921.
Silver prices in India have scarcely risen at all; as to rice, 1906, 1922–1923, 1928–1929.
Silver standard: relative importance of the internal trade founded on it, 1884.
Closing mints to coinage of silver:
Would greatly depress silver, 1937–1938.
Risk of false coinage, 1939–1943, 1951–1955.
Arrangements with Native States, 1944–1950.
Effect on opium revenue, 1956.
Effect on produce and manufactures in which silver-standard countries compete, 1957–1959, 1965–1968.
Effect on silver ornaments of the people; extent to which they are brought in for coinage in time of pressure, 1960.
Danger of giving Government the power of coinage, instead of its being automatically adjusted, 1961.
Might destroy the favourable balance of trade, which is needed as India is a debtor country, 1962–1963, 1969.
Hoards of coined rupees might be brought out, and cause redundancy of currency, 1962.
Effect on land revenue, through fall in prices, 1964, 1986.
Bombay mills, 1965–1968.
Gold standard:
Adoption in India: enormous importance of the change: no necessity for it, 1874–1877, 1880.
Without a gold currency: doubt if it would work, 1969.
If injurious to India, must also be injurious to England, 1878.
Proposals largely arise from agitation among Government servants, 1879.
Increase of taxation less dangerous, 1986*a*.
Circumstances of other countries are different:
France, 1969.
Holland and Java, 1969–1977.
Development of India's trade: as to the various causes; whether at all due to exchange, 1978–1986.
Gold prices; fall in, not due to fall in value of rupee, 1897–1898.
Government servants; effect of fall in exchange on their remittances, 1931–1936.
Paper currency: small circulation in India, 1972–1975.

MR. THOMAS JACKSON.

Was for 15 years Chief Manager of the Hong Kong and Shanghai Banking Corporation at Hong Kong, and is now Manager of the Bank in London, 1987–1990.
Closing the Indian mints to coinage of silver:
Would cause a serious fall in the price of silver, because United States would cease to coin it, 1991, 2013, 2018.
Would not increase the purchasing value of the rupee, 1999–2007.
Would ruin Bombay cotton mills: Japan and China would erect their own, 1995–1999, 2008.
Injurious effect on trade of India with China and the East, 1992–1994.
Gold standard:
Might force up the rupee to any fixed ratio, and make exchange with gold stable, 2009, 2010.
Silver would be imported as bullion, 2012.
Effect on trade of England with China and the East, 2018–2025.
Rice trade of Burma would be handicapped against Cochin China, &c., 2026.
Tea trade would be handicapped against China, 2027.
Example of Japan, 2010–2017.

MR. ROBERT GIFFEN, C.B.

United States:
Under the bimetallic system, with free coinage of silver and gold, at a ratio of 15 to 1, both being unlimited tender, the standard was practically silver, 2032.

On ratio being in 1835 changed to 16 to 1, the standard became practically gold, though silver remained unlimited legal tender, 2029–2032, 2034, 2043.
Want of silver coins led to a law in 1850 for fractional silver money on mono-metallic principles, 2033–2034.
This was before the great production of silver, 2035–2036.
Extent of the over-valuation at 16 to 1, 2034–2038.
1852–53: Act regulated free coinage of gold, 2045.
Before 1862 the real circulation was largely paper, 2033.
1862: standard became inconvertible paper, and there was no coin, 2029–2031.
1873:
Specie payments resumed, gold coins being made legal tender, and silver freely coined, but only legal tender up to 5 dollars, 2029, 2038–2042, 2044–2045.
Act allowed seignorage on gold, but it was abolished next year, 2052.
Trade dollars of 420 grains coined for foreign trade, 2046–2049.
1878: silver made unlimited legal tender, by Bland Act, with dollars of 412½ grains, or 16 to 1, but not free coinage; Treasury to coin from 2 to 4 million dollars a month; sum actually coined each month was only the worth of 2 million dollars, 2040, 2050–2052.
Gold:
Stock in the Treasury at various dates, 2111–2112, 2122, 2126.
Reduction of stock:
Attributable partly to issue of Treasury notes, but especially to Baring crisis, 2135–2140, 2148, 2150, 2155–2158.
Shown especially in reduction of gold certificates, 2141–2147, 2179.
Increase in 1891, accompanied by increase of gold certificates, 2147.
Demand for Russia, France, and Austria, 2148–2149.
Silver:
Stock in the Treasury at various dates, 2166.
Coinage continued in 1890 after purchases under Bland Act had ceased, 2174–2175.
Silver coin:
Small amount in actual circulation, 2060.
May perhaps be more used in the Western States, 2067–2068.
Hoarding of coin: people hold more, when distant from banks, 2080–2082.
Paper currency:
Greenbacks:
First issued in 1862; called both United States and Treasury notes; made legal tender except for import duties, reservation being to provide gold for interest on bonds, 2053–2054, 2098.
Reservation subsequently removed, 2054.
Were issued of various denominations down to one dollar, but total amount was limited, 2056–2059.
Assumed to be payable in coin, but not expressed to be payable on demand, 2055, 2085–2090.
Legally might be paid in silver, but question is not free from doubt, 2097, 2099–2102.
All is payable in gold since 1873, 2054.
Gold certificates:
Issued in 1881–82 against deposits of gold coin; pass as bank notes, 2083–2084, 2094.
Not to be issued when gold reserve fell below a certain point, 2069, 2083, 2087, 2101.
And greenbacks are mainly in large denominations, 2164.
Silver certificates:
Issued under Bland Act of 1878, against deposit of silver dollars, not bullion, 2091, 2094, 2174–2175.
And gold certificates are not legal tender, except for Government dues, payments to clearing-houses, &c., 2091–2092.
Issue increased up to Act of 1890, but has now practically ceased, with cessation of coinage of silver, 2113–2117, 2121.
Banks will not hold, 2159–2164.
Can be changed into gold, in practice, 2164.
Are chiefly of small denominations, 2164.
And Treasury notes; Treasury could refuse to pay in gold, 2089–2090.
Declarations of Government officers that all paper will be paid in gold, 2180–2189.
Treasury notes:
Are issued under Act of 1890, against purchase of silver bullion, and are legal tender, 2092–2093, 2095, 2156.
Paper currency—*cont.*
Treasury notes—*cont.*
Act provides for redemption in gold or silver coin, it being the established policy to maintain the two metals on a parity at the fixed ratio, 2095.
Are the elastic part of the currency, but are largely held by the banks, 2114–2117, 2158–2159.
Amount issued against purchases of silver, in excess of silver certificates, 2123–2134.
Endeavour of Government to treat as identical with greenbacks, 2154.
Check to issue, caused by depression of trade, 2156–2158.
Banks prefer to hold gold certificates, greenbacks, and Treasury notes, for their reserve, 2161–2162.
Currency certificates: issued on deposit of Treasury notes, 2154, 2170.
National Bank notes:
Issued in time of inconvertible paper; are legal tender for many purposes, 2103.
Amount of issue limited to 90 per cent. of value of bonds deposited by banks, 2104, 2106–2109*a*.
Now much reduced in number, 2105.
Circulation of paper, gold, and silver:
Amount:
In 1890–92, 2165.
Generally, 2168–2170, 2172–2174, 2177.
Gold certificates, 2168–2169.
Silver certificates, 2169, 2174.
Currency certificates, 2169, 2170.
Treasury notes, 2170, 2173, 2176.
Greenbacks or legal tender notes, 2170–2171.
National Bank notes, 2177–2178.
Active: doubt whether it has increased lately, 2117–2120, 2172.
Paper:
Representing coin: circulation of, differs in effect and amount from circulation of coin itself, 2061–2065, 2068–2079.
Money:
May be used from habit, in preference to coin, 2066.
Can be hoarded more easily than coin, 2069, 2080–2082.
Parity of gold and silver:
Policy of Government to maintain, 2095.
Secretary's power to maintain, by issuing bonds for gold, 2180, 2185, 2189.
Customs dues: proportion paid in gold certificates, silver certificates, and United States notes, 2151–2153.

SIR THEODORE HOPE, K.C.S.I., C.I.E.

Has held various high financial posts in India, including those of Secretary to Government and Member of Council, 2191–2197.
Increase of taxation:
Difficulties of Government from fall in exchange cannot be met by, without danger, 2198.
Land revenue and provincial rates, 2199–2202, 2227.
Opium and excise, 2203–2204.
Income tax, 2205–2210.
Salt, 2211.
Customs: effect on cotton industry, 2212–2219, 2244.
Tobacco, 2245.
Import duty on silver, 2220–2222.
Railways: as to increase of receipts owing to a falling exchange, 2258–2259.
Reserve of taxation: objection to absorption of all, to meet the charge for exchange, 2211, 2244, 2250, 2257.
Deficit: question whether it has already arisen, 2251–2257.
Reduction of expenditure:
Not practicable beyond arrangements already made under provincial contracts, 2246–2247.
By debiting certain charges to capital, 2223–2224, 2248–2249.
Public works: difficulty of finding money for necessary works, 2247–2248.
Cannot meet a constantly recurring charge, 2249–2250, 2257.
Change of standard:
And similar currency devices, are all indirect taxation, of a dangerous character, 2225–2229.
Would enhance the burden of private debts, 2227.
Effect on holders of rupee debt in England, 2227–2229.
Would confiscate part of India's accumulated silver capital, 2233–2244.

Change of standard—*cont.*
Would create a vast inconvertible token coinage, 2214.
Would cause a fall in the value of produce, and create a vague feeling of discontent, 2244.
In fixing a ratio, question arises how far conditions of old contracts need consideration, 2229.
Is not prepared to say what should be the remedy: responsibility rests with British Government, who refused an international agreement, 2230–2237.

MR. J. BEATON.

Is Managing Director of the London and Brazilian Bank, 2260.
BRAZIL:
1835: Government notes were made inconvertible into gold; their face value is in silver milreis; currency is inconvertible paper, 2262 2263, 2265–2266.
1846: Gold valuation was re-adjusted, making the silver milreis worth 27*d.*, the present par of exchange, 2263–2264.
1850: Bank of Brazil received privilege of issue in certain districts; until 1864, its notes were convertible into gold or Government notes, at Bank's option, 2264–2265.
1864: Specie payments suspended: notes of banks also have been inconvertible ever since, 2266–2267.
Gold and silver coinage, 1849 to 1863, 2267.
Gold has nearly all disappeared; much is now current in the River Plate, 2267, 2340–2342.
Silver has nearly all disappeared, being hoarded, 2286.
Paper money:
Is the circulating medium; its amount is regulated by Parliament, 2267–2268.
Mode of settling what addition is required, 2268–2273.
Amount issued, compared with volume of trade, in 1864 and 1888, 2273–2278.
Denominations of notes, 2281–2285.
Exchange:
Variations between 1864 and 1888; fall due to large gold payments, 2291–2301.
Paper rose above gold on three occasions, 2301.
Compared with increase of paper currency, 2302–2303.
Exports:
Increase not directly connected with depreciation of currency, but low exchange stimulates production, 2289–2290, 2298, 2303, 2332–2333.
And imports: values based on gold: currency values largely affected by exchange, 2303, 2319–2321.
Producers' payments for wages, &c., are not heavier, but with free labour more currency is needed, 2304–2309.
Wages have risen, as well as price of necessaries, but not to an amount corresponding will fall in exchange, 2310–2318.
Depreciation in exchange:
Effect on external debt, 2322.
Effect on railway receipts, 2325–2328.
Customs dues are received in currency, varying with exchange, 2323–2324.
Loans raised, to meet a deficiency in the Budget, 2272–2273.
Debt: increase, from 1864 to 1868, owing to war and famine, 2279–2280.
Small change: want of: recent issues of small notes, and nickel and bronze coins, 2286–2288.
Prosperity till the Republic was declared, 2329.
Large creation of banks of issue under the Republic, resulting in an enormous addition to the currency, wild speculation, heavy demand for sterling remittances, fall in exchange, and loss of confidence, 2329.
Efforts of Government to restore confidence, by substituting Government notes for those of banks, and reducing the outstanding amount; thwarted by Parliament, 2330–2331.
Returns of trade, 2334–2339, 2342*a*.

MR. DADABHAI NAOROJI, M.P.

Owing to political condition, India has to send to England 16,000,000*l.* in gold to defray Home charges, without having any voice in the matter, 2343–2353, 2398.
Difference in this respect between India and Brazil or Australia, 2348–2349, 2353.
Stoppage of free coinage of silver deprecated; injury to cultivator, and to internal trade, from scarcity of currency, 2417–2421.
Amount of currency should not be arbitrarily fixed, 2420.
Gold:
Adoption of currency, would not remove the loss in exchange, 2354–2358.
Change in value of, would alone affect the loss in exchange, 2359, 2391.
Relation of, to commodities and silver, has risen, 2360–2380.
Gold question is not affected by reduction of price of produce from other causes, 2378–2384, 2390.
Silver prices in India have not altered, 2384–2385.
Debt, partly contracted when rupee was below 2s.; point does not affect question of loss in exchange, 2386–2390.
Trade:
Not on the whole affected by fall in exchange, though sudden fluctations may disturb it temporarily, 2392–2403, 2406–2407, 2411–2414.
Fall in exchange checks exports, 2393.
Taxpayer should not be made to pay for fluctuations, 2395.
Differing standards in two countries need not affect their mutual trade, 2403–2410.
Change of England from gold to silver would not affect her trade, 2404–2406, 2415–2416.
Silver-storm should be allowed to take its course; mischief of attempts of United States to check it, 2396, 2398, 2403, 2413–2414.
Bimetallism: objection to, 2415.

MR. H. K. RUTHERFORD AND MR. WILLIAM MARTIN LEAKE.

Are, respectively, Chairman of Ceylon Tea Plantations Company, and Secretary of Ceylon Association in London, 2423–2426.
CEYLON:
Currency:
Is similar to that of India, except in fractional coin, 2429.
Rupees are imported from India, 2430–2438.
Notes issued by Government, on equality with silver currency, 2439–2441.
Silver, in India: objection to alteration, 2427–2428.
Fall in exchange:
Gain of tea-growers, and of country generally, 2445, 2520–2521.
Sterling obligations increased, but amount not great, 2445–2446, 2452.
Loans raised locally on favourable terms, 2446–2448.
Imports of food from India reduced in price by lowered gold value of silver, 2449.
Wages reduced in sterling value, while rupees go much farther, 2449.
Government has not suffered at all from, 2454–2455.
Civil servants had their salaries raised in consequence, 2453.
Fear that a rise in exchange would undo the prosperity of recent years, 2449, 2451.
Tea industry:
Dependence of the Colony on, 2451, 2519.
Injury anticipated if India altered its currency to gold, 2442–2444, 2448.
Enormous advantage that would be given to China and Japan, 2451, 2471–2473.
Tea: variations in price, due, not to exchange, but to supply and demand, and to reduction of duty, 2449–2451, 2507–2518.
India is not a rival to Ceylon; they both send all they can, and China supplies the balance, 2463.
Coffee industry: failure of, 2444–2445.
Rice: steadiness of price, except in famine years, 2448–2449, 2498–2501.
Colony might mint its own rupees, and perhaps get the advantage over India of cheap silver, 2456–2467.
Trade:
Total, 2468–2470.
With India: close connection of the countries, 2467.
Alteration of standard: effect on wages and price of necessaries, 2474–2497, 2502–2506.
Exchange:
Alteration does not create wealth, 2522–2530.
Alteration: English manufacturers and agriculturists have lost by, owing to fall from various causes in gold prices, 2530–2540.

MR. HENRY COKE.

Is a partner in the firm of David Sassoon & Co., East India and China merchants, 2541, 2542.

Fluctuations in exchange cause difficulty in business, 2543, 2570.

Need of a change in the currency system of England and India, 2544, 2545.

Silver has no natural level in relation to gold, having become merely a commodity, 2546.

Fall in price in commodities:
- Causes a fall in cost of production, 2547–2553.
- Illustrated by sugar, 2547-2549.
- ,, cotton goods, 2550, 2551, 2553.
- ,, wheat, 2551-2553.

Fixity of exchange, reasons for:
- Injury to Government, 2567, 2568, 2570–2574.
- ,, officers, 2570.
- ,, private investors, 2573.
- ,, public credit, 2573, 2574.
- Hindrance to investment of capital, 2569.
- Difficulties of trade, 2543, 2570.
- ,, banks, 2570.

Open mints attract silver to India, but not in excess, 2600, 2601.

Stoppage of coinage of silver:
- For a time, would raise exchange, 2585.
- Doubt whether bar silver or gold would go to India, 2586, 2588.
- Minimum rate for free coinage should be fixed, and gradually raised, a seignorage on silver being imposed, to vary weekly, 2575–2581, 2607–2611.
- Without fixing minimum rate of exchange, would not relieve trade, 2582–2584.
- With a heavy fall in silver: effect on India's trade with silver-using countries, 2560–2566.
- Silver must continue to come from China, and be coined, 2560–2566.
- Gold can be obtained from China, when required, 2565.
- China's trade with India is triangular, not direct, 2566.
- Opium trade would not suffer materially, 2621, 2622.
- Minimum rate for coinage would momentarily stimulate shipments of silver, 2610, 2611.
- Engagements are now at a minimum: a month's notice would be sufficient to introduce the new system, 2611–2614.
- America is trying to sell silver forward, 2614.

Gold standard for India:
- Objection of bimetallists, 2554-2559.
- ,, monometallists, 2557.
- Effect on trade with China, 2556–2566.
- Lancashire manufacturers in favour of fixity of exchange, 2554–2559.
- India must take care of herself, regardless of bimetallism, 2559.

Imports of silver in 1890:
- Due to investments in belief of stability arising from American legislation, 2615–2620.
- Injury to *bonâ fide* investors in consequence, 2620.

Currency in India:
- Need of more, 2590, 2591, 2599.
- Is not redundant, 2592.

Paper currency, recent increase; is becoming more popular, 2593–2599.

Bills on India, system of selling:
- When not wanted, depresses price, 2603, 2604.
- Suggestion for discontinuance, bills on London being bought in India, 2601–2607.
- Change would make more silver go direct to India, not through London, and so prevent fall in exchange, 2601–2607.

Financial Agency or State Bank should be instituted in India, for purchase of bills on London, and of silver for coinage, 2603–2607, 2623.

MR. WILLIAM SOWERBY, C.E.

Was 25 years in India as an engineer, and in the cotton trade, &c., and is familiar with the systems of currency in India and Europe, 2625–2628.

Fall in exchange has
- Benefited the people of India, giving them more money for their produce, 2629.
- Given the Government increased revenues, 2629.

Rupee in India must in time be depreciated, through free supply, 2629.

Currency systems of England, India, and the Colonies:
- Should be assimilated, 2634.
- Investment of capital in India would then be popular, 2641.

Silver standard cannot be maintained, owing to extreme cheapness of production, and large profits of silver mines, 2634–2637, 2641.

Paper currency has disestablished much silver in India, 2638.

Gold standard:
- Is the best, as it can be regulated for a long period, 2637, 2639–2641.
- Very little gold is needed in India, 2634.
- Silver would still form the principal currency, with a token value, 2638.

Lowest denomination of currency suits the mass of the people in India, 2629, 2634.

Pauper state of the people in India, 2629–2633.

Remittances to England for Home charges:
- Must depress exchange, whatever the system of currency, 2641.
- Increased by cessation of capital receipts in England for public works, 2641.

SIR RAYMOND WEST, K.C.I.E., LL.D.

Difficulties of the Government of India at present, 2765–2768.

Gold basis should be adopted, a new Imperial rupee being coined, to be rated at 18*d.*, but of rather less intrinsic value, 2644–2648, 2650, 2665, 2673, 2760, 2768.

Imperial rupee:
- Would have more value than existing rupee, 2653, 2654.
- Had better be heavier than existing rupee, say 200 grains, 2655–2657.
- Would be convertible into gold, by means of currency notes, 2662–2664.
- Would circulate at token value, even if silver fell further, 2665.
- Taxes to be paid in:
  - With allowance for three years on a sliding scale, 2668, 2669, 2760.
  - Coinage necessary for the purpose, 2670, 2760.
  - 1-rupee notes to be issued, and withdrawn when paid to Government, 2670.
- Being on gold basis, would not be displaced by Native coinage, 2707, 2708.
- Would be available for purchase of Home remittances, 2731–2734, 2752, 2757, 2758.
- Risk of forgery would not be great, 2708.
- Would be like a silver note, payable in gold, 2772.
- Government accounts should be kept in, 2658, 2711.
- Private accounts would soon come to gold basis, 2711.

Gold:
- Should be coined freely, 2649.
- Requirement would not at first be large, 2773.
- Lowest coin should be of a high value, say 3*l.*, to save use of gold, 2649.

Notes on gold basis must be introduced, with rupee at 18*d.*, to be cashed either in gold (charging a commission, if necessary), or in silver at exchange fixed daily, 2652, 2663, 2664.

Outstanding transactions might for some time be settled in old rupees, at their market value, 2659, 2661, 2708–2711.

Government should use silver or old rupees in their balances, or buy more, for coinage of Imperial rupees, 2660.

Old rupee:
- Would cease to have a higher value than as bullion, 2661, 2709.
- Inconvenience admitted, of disturbing people's minds as to its value, 2673.

Stoppage of silver coinage:
- Existing rupees would not rise materially in value, 2675, 2676.

Stoppage of silver coinage:
Native States' coins:
Would circulate largely in British territory, 2677–2688, 2699–2706, 2717, 2721, 2770.
Unless they were prohibited from coining, 2699, 2706.
Doubt as to the power of Government to prevent circulation of foreign coin: instances of Papal States and France, 2687–2699.
Even if Government refused to accept foreign coin, people would use it for their own transactions, 2691.
And British Indian coins, circulate freely together in border districts, 2678, 2679, 2700–2705.
Mints would soon be expanded to meet the demand, 2706.
Coins, if not tokens, circulate at value of metal they contain, 2686.
Traders would deal in gold or silver bullion, 2676–2677, 2706, 2712–2717, 2721, 2770, 2771.
Gold standard for existing rupees:
Government might have to pay the enhanced price on the whole accumulated stock, 2666, 2667, 2674, 2720, 2721, 2735, 2736, 2769, 2772–2775, 2782–2784.
If rated at present value, would not prevent increase of Home charges if silver fell, since value of coins cannot be enhanced for external transactions, 2729, 2730, 2737–2741, 2759–2764, 2775–2784.
Government would not avoid liability by sale of its bills in England, since the revenue would be paid in rupees on a gold basis, 2742–2756.
Will alter prices and check export trade, 2785–2787.
Taxation: re-adjustment of, 2788, 2789.
France:
Method of settling wholesale transactions, 2724.
High value of francs, because they are exchangeable for gold, on a small commission, 2725–2729.
German rupees coined in East Africa, 2718.

SIR JAMES BROADWOOD LYALL, G.C.I.E., K.C.S.I.

Was for five years Lieutenant Governor of the Punjab, 2790, 2791.
Stopping the free coinage of silver would not disturb the population, if the rate of exchange did not rise materially, even if the price of silver fell heavily, 2792–2800, 2890; but, if the rate of exchange were seriously raised, say, to 1s. 6d., ill-feeling might arise, 2801–2804, 2824, 2889.
Temporary rise of exchange in 1890 to nearly 1s. 9d. produced no political effect, 2805, 2805a, 2825.
Difference between automatic rise and change produced by action of Government, 2826.
Abnormal increase of taxation more dangerous than a rise in exchange from closing the mints, 2821, 2827–2830, 2879.
Debts of peasant proprietors: have been greatly reduced lately: to check the process of reduction would be less hurtful than to impose taxation, 2840–2843a.
Fall in silver values; its bad effect on the people, 2886–2889.
Peasants know little about the coinage system, 2891, 2892.
Peasants feel the effect of prices on their rents, 2893, 2894.
Prices in the Punjab have risen perhaps 40 per cent. or more in the last 30 years, but that is due to various causes, 2806–2817, 2829, 2831–2833, 2844–2878, 2884–2886.
Periodical increase of the land assessments: heavy, but not in proportion to the rise in prices, 2818–2823, 2828, 2829.
Wages: increase of, in the Punjab, 2831–2839.
So long as the appearance of the coin is not altered, the people generally would not realise a change in the system of currency, 2880–2883.

MR. HENRY WILLIAM BLISS, C.I.E.

Is first Member of the Board of Revenue at Madras, and well acquainted with the system of land revenue, salt, and excise, 2895–2899.
Taxation:
Impatience of new taxes felt by people of India, 2900, 2901, 2920.
Customs; duty on imports repealed in 1882, especially on finer cotton goods, might be re-imposed, giving over 2,000,000l., 2902–2907.
Taxation—*cont.*
Excise, countervailing, should be put on manufactures of Indian mills; little supervision would be required, 2903, 2910–2912.
Excise, countervailing, would not injure the Indian exports, because drawback would be granted, 2908, 2909.
No other feasible, 2913.
Land revenue: permanent settlement in Bengal prevents increase, 2913, 2918.
Land revenue: in Madras is most re-settled; the remaining three districts may give 25 to 30 lakhs more, 2919.
Salt is the only reserve; duty should not be increased, 2914.
Income tax; increase would cause discontent, 2915.
Excise: cannot be raised faster than at present, 2916, 2917.
Opium and ganja; excise duty is imposed on consumption in India, 2917.
Additional, cannot be imposed to meet a continually increasing deficit from exchange, 2921, 2922.
Gold standard:
Is a much less evil than heavy taxation; the risk is great, but, if nothing is done, bankruptcy results, 2923–2925, 2946.
Sliding seignorage on silver is possible, 2924.
Raising the standard moderately, say to 1s. 6d. per rupee, would not affect prices and wages; people would not be aware of it, 2926, 2927.
Public are not yet accustomed to conditions of last five years, in which the fall has been great; and to return to rate of five years ago would not be felt. The fall in silver not having lightened burden of taxation, a return to previous prices would not increase it, 2927–2931, 2935, 2942–2945.
Raising the rupee to 2s. suddenly might have a serious effect in the interior, and check the demand for surplus produce; but a gradual rise, even above 1s. 6d., would not hurt the people, 2934, 2960–2963.
Raising the rupee to 1s. 6d. would benefit the Government, by compelling more gold to be paid for bills on India, 2932, 2936.
Prices in India:
Have not risen much, except from bad seasons, 2937, 2953.
Vary from seasons far more than they could from any rise in value of gold, 2947.
Fall in silver has prevented them from falling, 2938.
Change in value at port of export is not fully felt in the interior, 2943, 2944.
Alteration in the Godavari district when the anicut was opened, 2948, 2949.
Of imports, have risen lately, owing to exchange, silver having depreciated faster than commodities, 2954–2959.
Gold has appreciated as against silver and commodities, 2930, 2939–2942.
Wages of servants are mainly affected by the supposed ability of the employer to pay, 2950–2953.

MR. JERVOISE ATHELSTANE BAINES.

Has had experience of revenue and other work, and of the census, 2964–2967.
Gold standard:
Change would disturb the people less than imposing taxes, 2968–2973.
If prices suddenly fell, and it were traced to the closing of the mints, objection might be raised that the agreements of the settlements were violated; but, if the operation were gradual, any effect would be lost in the other changes arising from seasons, &c., 2975, 2976, 2979, 2980.
If prices fell from other causes, people would not blame Government, even though the mints were closed, unless worked upon by agitators, 2977–2980, 2983.
Prices of articles consumed locally would probably remain subject to local causes of variation, 2988.
If the change caused a considerable fall in prices, it would produce discontent, 2993, 2994.
But, if prices were maintained at present levels, none would arise, 2995, 2996.
Prices:
Wheat and rice would probably have fallen if silver had remained steady; and may fall further, apart from all action of Government, 2981, 2982.
Considerable fluctuations occur through variations of seasons and times of year: these causes may explain apparent fluctuations over long periods, 2984–2987.

Prices—*cont.*
Wheat is perhaps more affected by exchange than other crops; the price is exceptionally fluctuating, 2989, 2992.
Wheat: the cultivation is extending, under a system of advances, 2989–2991.
Taxation:
Income tax or other direct taxation cannot be much extended, 2973.
Salt; not practicable; question of returning to former rates; consumption and revenue are increasing; increase of duty might restrict consumption, 3130, 3131, 3135–3149.
Tobacco: not practicable, except for octroi, 3130–3134.
Sugar: not practicable, 3132.
Land revenue cannot be increased during currency of assessments, 3150, 3151.
Land revenue: difficulty in Bengal of interfering with permanent settlement, 3152–3155.
Land revenue: system in Bombay; in hard times payment is deferred, not remitted, 3156–3158.
Land revenue system in Bombay; re-assessed on general conditions when settlement has expired, 3159.
Expenditure cannot be reduced, without impairing efficiency of administration, 2974.
Hoards of Native States:
Might be affected, if silver fell much below the value of the rupee, 2997.
So far as in coined silver, would gain, 2998, 2999.
Would not be thrust on the market, unless change were very large and sudden, 2999.
Contain both Government and Native States' rupees, 3000, 3001.
Hoards of individuals:
Native coins are sometimes predominant, 3009.
Largely in silver ornaments, 3020.
Would be depreciated, but the owners look on them only as a provision, not a source of gain, and only get advances on them under great stress; but they might eventually be sold, and taken to a mint, 3021–3129.
Coins of Native States:
Circulation in British territory, 3001*a*, 3002, 3014, 3015.
Are subject to a customary discount, 3006, 3010–3012.
Are not received at Government treasuries, post offices, &c., nor are they a legal tender, 3004, 3007, 3008,
If a gold standard were adopted, they would rise in value, 3018.
If a gold standard were adopted, they might displace British rupees to some extent, 3004–3006, 3009.
But Government could deal with this, 3003, 3016–3019.

SIR CHARLES EDWARD BERNARD, K.C.S.I.:
Has been Secretary to the Government of India in various departments, and Chief Commissioner of Burma; and is now Revenue Secretary to the India Office, 3160–3162.
Prices in India:
Have risen considerably in the interior, during the last 20 years, owing to better communications causing equalisation. At the seaports prices have risen less, 3163, 3166–3170, 3175, 3176.
Of some staple exports, such as cotton and wheat, which compete with products of other countries, have fallen, 3163, 3164.
Prices in India—*cont.*
Of rice has little changed, though somewhat affected by famine in Madras, Burma having a practical monopoly of trade in Europe, 3164–3169, 3172, 3173, 3190–3206.
Of exports do not vary directly with the gold price of silver, as there are other factors affecting them, such as failure of rice and wheat crops in other countries, 3171.
At seaports, steadied by the fall in the value of silver, 3172–3174.
Land revenue:
May to some extent have been assessed higher than if there had been no fall in exchange, 3175–3178, 3184, 3185.
Is based on the average prices of a series of years, which, even in the case of articles not exported, are somewhat influenced by external fluctuations, 3179–3182, 3184, 3187, 3188.
Would press a little more heavily if exchange were raised by the action of Government; it is a question of degree; 2*s.* would be serious, but not 1*s.* 4*d.* or 1*s.* 5*d.*, 3183–3186, 3189, 3189*a*.
Nearly one-fourth is permanently settled, and most of the remainder for many years, 3212–3216, 3223.
In some parts it might be possible to begin a system of assessments fluctuating with prices, 3219.
An arbitrary increase of assessments is dangerous, 3217, 3218.
Proportion of assessment to produce is from one-eighth to one-twelfth usually, 3220–3222.
Is not a tax, 3226.
Taxation:
Excise cannot be suddenly increased, 3224.
Salt duty should be reduced, 3225, 3226.
Income tax:
Objection to increase, 3227, 3228.
Produce under Mr. Wilson's tax, and now, 3252–3255.
Stamp duties cannot be increased suddenly, 3229.
Customs:
Export duty on rice should be removed, 3230–3235.
Import duties:
Re-imposition would be popular, 3236, 3241–3244.
But must not be accompanied by an excise on Indian manufactures, 3237.
Tobacco: very difficult to tax, 3238.
Succession tax would hit the income-tax payers, 3239.
Cannot meet a great deficit, such as 10 crores, if silver fell to 1*s.*, 3212, 3240.
Cotton: great fall in price, 3188.
Cotton mills flourishing, in consequence of fall in exchange: as to, 3245, 3246.
Gold standard:
With exchange fixed at its present rate; gold prices might subsequently fall from other causes, and exchange would not then maintain rupee prices, 3207–3209.
In such a case, the mass of people would know nothing of closure of mints, but newspapers might attribute the fall of prices to Government action, 3210, 3211.
With a heavy fall in silver; effect on India's exports of cotton manufactures to China, 3247–3251.
Rivalry of India and Lancashire in the Eastern trade, 3248–3251.
Wages: belief that they have risen, though official statistics do not show it, 3246.

INDIAN CURRENCY COMMITTEE.

MINUTES OF EVIDENCE

TAKEN BEFORE THE

COMMITTEE APPOINTED TO INQUIRE INTO THE INDIAN CURRENCY.

At the India Office, Whitehall, S.W.

FIRST DAY.

Thursday, 27th October 1892.

PRESENT:

THE RIGHT HONOURABLE LORD HERSCHELL, THE LORD HIGH CHANCELLOR, THE CHAIRMAN, PRESIDING.

SIR THOMAS HENRY FARRER, BART.
SIR REGINALD EARLE WELBY, G.C.B.
MR. ARTHUR GODLEY, C.B.
LIEUTENANT-GENERAL RICHARD STRACHEY, C.S.I.
MR. BERTRAM WODEHOUSE CURRIE.

MR. HENRY WATERFIELD, C.B., *Secretary.*

MR. ROBERT HARDIE called in and examined.

Mr. R. Hardie.
27 Oct. 1892.

1. (*Chairman.*) You are a member of the Council of India?—Yes.

2. And were formerly secretary of the Bank of Bengal in Calcutta?—Yes.

3. In that capacity you were the adviser of the Government of India on matters connected with loans and bills?—Quite so.

4. You are of course aware of the difficulties which the Government of India have experienced owing to the fall in the gold value of silver?—Yes, but as a matter of fact the difficulties, so far, have not been very serious. They are apprehensive of greater difficulties in the future than have occurred in the past.

5. The uncertainty as to what the exchange will be during the year at the time the budget is fixed must of itself be a source of some difficulty and inconvenience?—Yes; but there are other items in the budget that are equally uncertain. For instance, the amount of the railway revenue for the year is a very uncertain element in the budget; in fact, every head of the revenue is more or less uncertain.

6. I suppose every uncertainty adds to the difficulty?—No doubt it does, but it suggests the framing of very cautious estimates.

7. You are acquainted with the memorial of the Indian Currency Association, and the suggestions contained in it?—Yes, I have read the memorial.

8. The memorial is in part founded upon the effect produced by the fall in the exchange in the past, and in part upon the apprehension of a further fall in the future, a considerable further fall in case the United States policy changes?—Yes.

9. And you are aware that the suggestion of the memorialists is that, failing an international agreement which would establish a ratio between gold and silver, India should adopt a gold standard?—Yes, I believe that is the representation in the memorial.

10. Now would you give the Committee your views as to the practicability of establishing a gold standard for India?—It seems to me in the first place that it would be very disadvantageous for India to attempt the adoption of a gold standard from the fact that she has now very great obligations in gold to meet. She is owing to foreign creditors probably about 22,000,000*l.* a year in gold. It is obviously to her interest not to increase the demand for gold when the pressure of that foreign payment depends upon the gold prices of her produce being maintained; that is to say, the pressure of the payment of these 22,000,000*l.* of gold a year is fixed by the prices that she realises in gold for the produce which she sends to buy that gold; that therefore, if she attempted to adopt a gold standard, and thereby increased the demand for gold, the assumption is that the gold prices of her produce would fall, and increase the burden of this annual foreign payment.

11. That assumes, does it not, that introducing a gold standard would necessarily create a large demand for gold in India?—Well, not necessarily; it might or it might not create a large demand for gold. It would, I think, create a considerable demand.

12. Yes; but, if it did not produce a large demand for gold in India, it would not have that effect, would it, in tending to reduce the gold prices by increasing the demand for gold?—The effect on gold prices

Mr. R. Hardie.

27 Oct. 1892.

would be in proportion to the demand; but I assume that part of the proposal in fixing a gold standard is to fix the exchange at a higher level than the present level, that is to say, to give a gold value to the rupee by legislation, to say that the rupee, which is worth now 1*s.* 3*d.*, is to be worth 1*s.* 6*d.*; in fact, I understand the object of adopting the gold standard is to raise the exchange.

13. Not necessarily to raise the exchange, is it?—I think that is the main object of it.

14. To endeavour to fix the exchange, either at a higher level or at the present level, would be equally consistent with the adoption of a gold standard, would it not?—Yes.

15. Then the objection that you point out would be as to adopting a gold standard in such a way as to fix a higher ratio between silver and gold than at present exists?—Whatever rate is adopted, it seems to me impossible to maintain a gold standard in India without a considerable amount of gold.

16. But have you formed any idea as to the amount of gold which would be necessary for that purpose? Does it necessarily follow that you would require a very large addition to the present import of gold into India in order to fix a gold standard now?—Yes, I think a large addition to the present import of gold would be required. Recently, the highest financial authority in India estimated the active circulation in India at 115 millions, exclusive of silver coin hoarded; and it seems to me that, to give an effective gold value to this large amount of currency, a large amount of gold would be required.

17. That is assuming that you are going to substitute a gold currency throughout India for the silver; but would it not be possible to have a gold standard, and yet that the bulk of the currency metal should be silver?—I do not think so. The currency would, no doubt, continue to be mainly silver; but I do not see how a gold value could be given to it, unless it was exchangeable for gold. I think that the effect of declaring a gold standard and closing the mints to the coinage of silver would be to depress the market price of silver very much, and the holders of coined rupees in India would find that they were possessed of a coin really only of a nominal value, and they would desire, no doubt, to exchange on every opportunity these coins for any gold that might be introduced under the operation of the so-called gold standard.

18. Are you at all aware of the amount of silver that is in circulation in France?—Including about 50,000,000*l.* with the Bank of France, I believe the issue of five-franc pieces is about 70,000,000*l.*

19. I think it is suggested that it is very largely in excess of that, but in France is there any such tendency shown to try to get rid of all the five-franc pieces and try to give gold for them?—No, naturally there is no such tendency shown.

20. Why?—Because they are potentially gold coins, by the fact that the Bank of France holds something like 70,000,000*l.* of gold. If the Bank of France held no gold, or only a small stock of gold, I do not think her five-franc pieces would circulate on a gold basis.

21. Why does the fact that the Bank of France holds, I think, 55,000,000*l.* of gold and 55,000,000*l.* of silver, speaking roughly about half and half, tend to prevent people endeavouring to replace their five franc pieces by gold. I do not quite follow?—Because they know that they can always get gold; that five-franc pieces are potentially gold coins.

22. But how can they always get gold; what power have they to insist upon getting gold for their five-franc pieces, and where?—For internal transactions they have no occasion to require gold, because the five-franc piece is sufficient; but for foreign payments gold is available at the Bank of France.

23. But would not, for internal purposes, the rupee be precisely in the same position if you had a gold standard in India; so that for all internal transactions the silver would pass current, just as the five-franc pieces do in France?—No, because there is this material difference, that France has an effective gold standard, and a sufficient amount of gold to maintain it, whereas India would have no gold, or an insufficient amount of gold, under the proposed arrangement.

24. No; but, supposing there were a gold standard adopted in India, and a certain amount of gold—I will ask you presently what will be necessary—but some gold held there, why would not the rupee circulate in India just as the five-franc piece does in France?—Well, I go back to the statement that the natives of India holding large amounts of coined rupees, and seeing that the silver in those rupees had fallen very much by the action of Government in closing mints, would be eager to change the rupees for gold.

25. Well, but take the case of the United States. Are you aware that between 60,000,000*l.* and 70,000,000*l.* of silver, either in the shape of metal or certificates, is in circulation in the United States, and passes from hand to hand for all internal transactions, notwithstanding the depreciation in the market value of silver?—Yes; but, as a matter of fact, those certificates have had so far an adequate gold basis.

26. Yes, but I am assuming for India a gold basis. I understood your view to be that, if you established a gold standard in India, it would necessitate a substitution of a gold currency for a silver currency. I understood that to be your position?—Yes, a gold standard, to be effective, should, I think, be established on the same lines as Austria is now pursuing, and as Germany pursued.

27. But do you know how much silver circulates in Austria?—No; but I believe that the action of the Austrian Government was this: to ascertain approximately the total amount of active circulation in the country, and then they resolved to accumulate a sufficient quantity of gold to give convertibility to the whole of such circulation.

28. Do you know the case of Holland and its dependencies at all?—Yes, I know it to some extent.

29. You know that a gold standard was adopted in Holland, and is in force in Java?—Yes.

30. Are you aware whether there the old silver currency does not circulate as it did before?—In Java?

31. Yes; notwithstanding the adoption of the gold standard, the amount of gold being very small?—But that arises, it seems to me, from the fact that the silver in Java is legal tender in Holland.

32. Yes, but they have a gold standard in Holland?—Yes.

33. I do not quite follow. If the silver is legal tender in Java and Holland, why, according to your view, with this depreciation in silver, should not they still seek to exchange the silver into gold?—Well, I do not think the circumstances of Java and India are alike. In Java there is presumably no redundancy or accumulations of silver coin.

34. The great bulk of the transactions in India are small transactions, are they not?—Yes.

35. Supposing you had a gold standard, and you had no gold coin less than 10 rupees, would not of necessity the great bulk of the transactions there still be carried out by means of a silver currency?—Yes, no doubt; no doubt there would be a large requirement of subsidiary currency in the way of silver, but still the fact remains that there would be the immense amount of coined rupees in the country, which I hold would be presented for exchange into gold, and would absorb any gold that was imported, without allowing any gold to get into active circulation.

36. But how would the current rupee, do you suppose, be converted into gold?—The holders of coined rupees would be always ready to buy gold when it was available. I have no doubt the banks for instance would be supplied with money largely in that way. Supposing a gold exchange of 1*s.* 6*d.* was fixed, the likelihood is, in my opinion, that the public in India would be ready to give rupees to the banks with which they would buy mercantile bills in sterling against

exports, the banks paying the sellers of such rupees gold in exchange, and very likely after a time at a lower rate than the established gold standard rate.

37. In your view, is the silver now in circulation in India more than sufficient for the current requirements of India?—No, but there is a large amount hoarded. There is a large amount of silver hoarded which, I think, would come out for exchange into gold when the natives found that the value of their rupees as silver had greatly depreciated.

38. Do you think there is a large amount of gold hoarded in India?—Yes; according to the statistics there must be a large amount of gold hoarded.

39. Do you think it probable, supposing there were a coinage of gold in India of the higher denominations, that that would come into circulation by being coined?—I feel quite sure that it would not be sent for coinage. The gold exists; it is distributed all over the population, probably mainly in the shape of jewellery and ornaments, and it does not stand to reason that gold so held would be turned into coins. They value gold as a reserve, as a hoard. The natives would have no inducement to send their reserves of gold to the Mint to be coined.

40. Then your view is that that hoarded silver would be converted into gold under those circumstances?—Yes.

41. I suppose there is no possibility of arriving at an estimate to be relied on of the amount of hoarded silver in India?—The only way to arrive at any estimate is to take the total of the coinage for a long period of years. Since 1835, over 300,000,000*l.* have been coined. It is always to be remembered that the natives of India have a great partiality for gold, and that partiality for gold would be greatly increased if they found that the action of closing the mints for silver reduced the intrinsic value of silver materially.

42. When you were saying 300,000,000*l.*, were you speaking of silver or gold?—Of silver. But I should like to say that the success of any change in the Indian currency system involving a gold standard entirely depends upon the maintenance of a balance of trade sufficient to pay India's Foreign Debt.

43. That is to say, upon the excess of her exports over her imports?—Yes; and I am inclined to think that any other currency system than the present system will fail at that point.

44. Why?—Because it will not work automatically to produce a balance of trade sufficient to pay the foreign debt, whereas the present system works automatically to produce that balance.

45. Do you mean that the fall in the rupee stimulates the exports; is that your view?—Well, it either stimulates the exports, or discourages the imports, or both; a varying exchange, in any event, has the effect of regulating the balance of trade to the amount that may be necessary to absorb the Council bills and any silver that may be offering for sale to India.

46. Have you formed an opinion as to whether it is by encouraging exports or discouraging imports that the operation is effected?—A fall in the exchange alters prices on both sides of the trade account at any given moment. If the Indian Council is unable to sell its bills at 1*s.* 6*d.*, it may be inferred that the balance of trade is not sufficient to absorb the bills at that rate. If the Council reduces the rate, say to 1*s.* 5½*d.*, it forces a trade balance sufficient to absorb the bills. The balance of trade in favour of India appears to me to be a balance which is always being more or less forced, by the compulsory sale of Council bills, and by a varying exchange, to the extent necessary to meet India's gold debt.

47. Well, but the compulsory sale of Council bills, you say, forces the trade balance. Would you explain more in detail, because I am not sure that I quite follow the manner in which you suppose the operation to be effected?—Well, supposing the Council is selling its bills for 1*s.* 6*d.* for the rupee, and there is a falling off in the demand at that rate.

48. That is to say, that people are not at that time desirous of transmitting?—Yes, the market says, "We cannot take these bills at that rate." In other words, "We cannot find mercantile bills in India "against exports, that will pay us to take these bills "at that rate." Then the Indian Council in effect says, "We will sell the bills at 1*s.* 5½*d.*," or the market says, "We will give you 1*s.* 5½*d.*" The effect of the transaction at the lower rate is that in India the merchant can offer approximately 102 rupees for a given quantity of produce, for which he could only offer 100 rupees before, and this change in the exchange affects the value of the whole of the exports for the time, and is a corresponding disadvantage to the imports, thereby operating to produce a sufficient balance of trade to absorb the bills.

49. But the Council bill which is purchased is a substitute for the transmission of the silver to India?—Yes.

50. Well, that would be regulated, would it not, to a considerable extent, by the price at which silver could be bought and the cost of transmission to India of that silver?—Yes, silver and Council bills are in the same category, as regards a means of remittance to India. They may be looked upon as identical.

50*a.* I might have taken the case of silver apart altogether from the Council bills?—Yes.

51. Yes, but the price of silver would not only be regulated by any balance of trade, there would be a number of elements entering into the question of what price would be given for silver, would there not; not simply the Indian demand at a particular time?—The price of silver offering for sale to India, in the absence of a better market for it elsewhere, is subject to the same conditions as Council bills. If the then balance of trade did not admit of a 1*s.* 6*d.* price for silver, a lower price would have to be accepted for the silver, in order that the trade balance might absorb it.

52. But what happened prior to 1871, when the variations were comparatively small in the exchange, when the price of silver was comparatively steady; what happened then?—I rather think that previous to 1871 the fluctuations in silver were very considerable. About 1861 to 1865, the rate of exchange varied very much. The variations before 1871 were very great.

53. But not in the price of silver, were they?—Presumably they were in the price of silver; certainly they were in the exchange; and that would be affected by the price of silver.

54. Yes; but that would not be the only element, would it?—I think statistics show that silver varied from 60*d.* to about 62*d.*

55. (*Mr. Currie.*) It was the time of the cotton famine, was it not?—Yes.

56. (*Chairman.*) Now, in 1874 and 1875, even after 1871, the rate of exchange realised seems to have approached much more nearly the estimate than it does in later years. For example, in 1874–75, the rate of exchange estimated in the Budget was 1*s* 10·375*d.*: the rate actually realised was 1*s.* 10·156*d.*; in 1875–76, estimated 1*s.* 9·875*d.*, realised 1*s.* 9·626*d.*; in 1876–77, estimated 1*s.* 8·5*d.*, realised 1*s.* 8·508*d.*, so that at that time——?—Yes; but, I think, in recent years, even with the American silver legislation, the Budget estimates have been comparatively near the actual results.

57. As near as that, have they; no, they do not become so near in subsequent years. For example, when you come down to 1885–86, you find that the estimated rate of exchange was 1*s.* 7*d.*, and the realised 1*s.* 6·254*d.*; 1886–87, estimated 1*s.* 6*d.*, realised 1*s.* 5·441*d.*; 1887–88, estimated 1*s.* 5½*d.*, realised 1*s.* 4·898*d.*, so that, in later years, the estimates have not been realised nearly as closely as they were?—It has to be remembered that in former years the amounts drawn by the Council were much less; but, after all, those variations are, as I said before, common to every head in the Budget.

58. In those years to which you have referred—the earlier years—in which you say there was great variation, can you tell us at all to what extent that variation was dependent on the variation in the

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relative values of gold and silver, and to what extent upon change of trade demand?—I have not any figures here as to the variations of the price of silver in the particular periods. I only spoke of the variations in the exchange itself. No doubt they were caused by mercantile changes—by the variations in the Indian export and the import trade.

59. Take the year 1872. The highest variation in any one month, that is to say, the variation between the highest and lowest quotations in any one month of that year, appears to have been $\frac{5}{8}d.$ per ounce?—Yes. Well, there are periods in recent times when the variation has been no more.

60. But that has not been the ordinary feature. I am calling your attention to the fact that, throughout the whole of that year, that is the greatest variation that you can find in any one month of the whole year?—Well, then, probably in that year, the amount of the Council drawings was low, which, no doubt, would give a greater stability to the exchange.

61. Yes; but was not that always the feature, with very rare exceptions, at the time when the price of silver was approximately steady, prior to 1872?—I do not think so. I think that the variations in exchange were considerable when I went to India in 1865, and afterwards.

62. My question was referring to the time prior to 1872?—Exceptional circumstances have caused the extreme variations of recent years; the exceptional circumstance of American silver legislation. If silver had been let alone, it would have acquired a comparatively stable value.

63. The two years in which there was the most considerable variation, from the beginning of 1862 till you come to the later years, appear to have been 1865-66 and 1866-67. In 1865-66 the highest was 2*s.* $0\frac{5}{8}d.$ and the lowest 1*s.* $10\frac{3}{4}d.$?—Well, that was a very considerable fluctuation.

64. (*Lieutenant-General Strachey.*) That was the year of the American War.

65. (*Chairman.*) In 1866-67 it was from 2*s.* $0\frac{1}{8}d.$ to 1*s.* 10*d.*

66. (*Mr. Currie.*) The bills were exhausted and kept rising; they had not enough bills to supply the demand?—At that time the Council bills were limited, owing to the raising of capital in England for railways in India.

67. (*Chairman.*) This shows the rate at which tenders were accepted for bills of exchange drawn on India; those were the figures to which I was calling attention?—Yes.

68. In 1865 the variations in the price of silver were from $61\frac{1}{2}d.$ or $61\frac{3}{4}d.$ to a little over 60*d.*; that seems to have been the extent of variation in that year. And in 1866 somewhat the same variation; the highest seems to have been $62\frac{1}{2}d.$ and the lowest $60\frac{3}{8}d.$ And for all the subsequent years, down to about 1872, it varies between 60*d.* and 61*d.* A fraction is the only variation I can see in the price of silver from about 1862 to 1872?—Yes; but what the Government of India complains of is the variation in the exchange.

69. Yes, so I understand; but one wanted to see how far it was dependent upon the variations in the price of silver, and how far upon other causes?—Yes.

70. From 1862 to 1872 the variations in the price of silver seem to have been very small; from 1861 in fact, with the exception of a short time in 1866, it varies only between 61 and a fraction and 60?—Yes.

71. It does not reach 62, except for the brief interval I have mentioned, and it does not go below 60, so far as I see at a glance, in any of the years between 1861 and 1871.

72. (*Sir Thomas Farrer.*) That is the price on the London market.

73. (*Chairman.*) The price on the London market. Well now, in the times we have been speaking of, when these variations in exchange took place,—apparently largely independently of any change in the value of silver—do you think that in those days exports were stimulated or imports checked by the variations in exchange?—I would say that the prices of exports and imports varied with the variations in exchange, and that the extent of each was affected from time to time in accordance with the variations.

74. But you say in those times the variations in certain years were considerable, but the variations were as much in the direction of a rise from one part of the year to another, as a fall?—The conditions were exceptional at that particular time. About 1865, 1866, and 1867, India had practically the monopoly, or largely a monopoly, of the cotton trade.

75. (*Sir Reginald Welby.*) Not in 1867 surely?—1867 was the close of the American War.

76. 1865?—Not in 1867, but in 1864 and 1865, and the exchange at the time was maintained largely by the fact that railway capital was being raised in England and the Council drawings were very low.

77. (*Chairman.*) Then would your view be that whenever there was a fall in the exchange it would tend to stimulate exports, and when there was a rise in the exchange it would tend to check them?—Yes; it seems to me that a fall in the exchange tends to increase the prices of Indian produce, and a rise in the exchange tends to depress such prices; and, accordingly, to stimulate or check exports.

78. But, where the fall of the exchange or the rise of exchange does not depend upon any change in the gold value of silver and the price of silver, would not the fall of exchange or the rise of exchange be rather an effect of the condition of trade than the cause of it?—No doubt it is so sometimes. A rise of exchange may be owing to a spontaneously active trade, which creates a demand for money.

79. What I mean is, supposing there is no variation in the price of silver at all, so that the change in exchange does not result from that cause, and yet you have a considerable change in exchange, a fall or a rise. Well, in that case would not that fall or rise be the consequence of the conditions of trade which had preceded it?—Yes, but a variation in the exchange and a variation in the price of silver happen simultaneously.

80. Well, not necessarily, do they?—As a rule.

81. In the years to which I have called attention the variations in exchange were considerably in excess, were they not in some cases, of any variation in the silver market?—They were doubtless owing to some special cause.

82. Of course they will be within certain limits only, but you may have a greater difference in exchange than in represented by any difference in the market price of silver at the time?—Yes, owing to some special cause.

83. But in those cases to which you are referring, I am not sure that I quite understand your view, that the fall of exchange or the rise of exchange would be what would determine the balance of exports and imports, because it would rather seem to one that the fall of exchange or the rise of exchange was the result of the conditions of trade and not the cause?—Variations in exchange appear to me to combine both cause and effect. For example, if the balance of trade in favour of India is not sufficient to absorb the silver that is offering, the silver is then sold at a lower price, which means a lower exchange, and that causes the balance of trade to absorb it. The increase in the balance of trade then is the result of the fall in the price of silver, and the fall in the price of the silver presumably caused the increase in the trade balance.

84. But may not the balance of trade, as you describe it, that is, the difference between the exports and the imports on the whole year, be, we will say, in favour of India largely, and yet at a particular time may there not be a special need for remittances; might not that be the case? when you speak of the balance of trade, you speak of it over the whole year?—Over the whole year.

85. While the exports or the imports might be the larger at different times, that is to say, although on the whole year the exports exceeded the imports, yet at any given time in the year that would not necessarily

be the case?—Quite so, it would not necessarily be the case.

86. Therefore, the exchange would not depend entirely, would it, upon whether the condition of trade was such that upon the whole year there would be a balance of exports over imports; it might be affected at a particular time of the year by the particular condition of trade at that time, and by the relation the exports bore to the imports?—Yes, at any particular time that might be so, but on the whole the balance of trade, taking year after year, and assuming that India has to pay 22,000,000*l.* abroad, and must export commodities, in excess of imports of commodities, that will realize that sum, a varying exchange has the effect of producing the required result; it works automatically, in producing that result in the end. If the exchange was fixed at 1*s.* 6*d.* absolutely under a gold standard, then the exports and imports of India would not be subjected to any influence such as a varying exchange; and in that event the balance of trade in favour of India might be insufficient to pay the foreign debt.

87. But, though the relation of gold and silver were fixed we will say at 1*s.* 6*d.*, you might have variations in exchange depending upon trade, just as you do between two gold standard countries?—Variations in exchange do not take place between two gold standard countries as they now do with India as a silver standard country.

88. But why? Is there no difference of exchange between two countries that have a gold standard, no variation?—Between effective gold standard countries there is a fixed par of exchange, which does not vary beyond the narrow limit of the cost of transport of money from one country to the other.

89. No doubt that goes on between two gold-using countries?—Yes.

90. Well, that would go on if India had a gold standard?—Yes, but I do not understand that between two gold standard countries that system ensures a sufficient export of commodities to pay the foreign debt. I assume that Australia and England in that position would adjust their trade balances with money, but India presumably carrying on a gold standard without sufficient gold would be unable to do that.

91. She would discharge her indebtedness with produce?—Yes, but under the proposed gold standard the surplus of exports might not be sufficient; it affords no leverage by which to act upon the trade to produce the necessary surplus of exports.

92. Do you think, then, that it is only these variations in exchange that have produced a surplus of exports over imports in India?—No; no doubt there is a capacity on the part of India to produce a surplus of exports; the varying exchange appears to me to regulate the surplus to the extent necessary to pay the foreign debt.

93. But was there not a large excess of exports over imports when the exchange was very different to what it is to-day?—That is quite true, but I can only answer in regard to that that the commercial conditions at that time produced the exchange referred to, and that the commercial conditions at the present time produce an exchange of only 1*s.* 3*d.* If at present the Indian Council exacted 1*s.* 6*d.* for its bills, it would fail to sell them, and, to the extent it failed, India would not be meeting her foreign payments.

94. But are not what you call the commercial conditions largely influenced by the fall in the price of silver which has made the exchange to-day 1*s.* 3*d.*?—Yes, the low exchange is no doubt owing to the fall in the price of silver; it is also owing to the increase in the Indian gold debt, the two things acting together. There is no doubt that the amount of money due by India to foreign creditors has been increasing steadily, and has aggravated the position.

95. Has the balance of exports over imports become less or greater than it was?—It is greater, because the Indian Council bills are greater, and the amount of silver that is going to India just now is rather greater. I rather take the view that hardly any country with a large foreign debt is in a position to maintain a gold standard without some special means to ensure that her balance of exports will be in excess of her imports to a sufficient extent to pay for the foreign debt, and that special measure seems to me to be a protective tariff or import duties.

96. How, as regards Australia?—Australia has import duties, and I doubt very much whether they could maintain their gold standard without such.

97. But all the Colonies have not import duties; New South Wales has no great import duties?—Well, I believe she has been carrying on her financial system by loans in England. I think the Australian Colonies would find themselves in a difficult position, if from this time they were unable to borrow, or decided to borrow no more, in this country. Their imports are really now in excess of their exports. Their exports would have to exceed their imports by at least 10,000,000*l.* in order to pay their foreign debt. As regards India the varying exchange always provides for the necessary surplus, but, of course, it is at the expense of the rate of exchange.

98. Then the extent of the depreciation of the silver currency in India enables it better to pay its debts?—I demur to the view that India pays its foreign debt in any way with depreciated silver. India pays its foreign debt in gold, and the present currency system in India benefits India so far that it does not use, or increase the demand for, gold.

99. Well, but how does she pay her gold obligations without using gold, the better, as I understand you say she does, because the silver is depreciated?—I think the price of silver has nothing to do with the burden of the gold obligations of India. India pays her gold obligations by sending produce which she sells for gold.

100. Then I understand you to say that, if the price of silver were such as to fix the exchange at 1*s.* 6*d.*, she would cease to be able to pay her debts, whereas, if it goes on falling, she will be able to do it?—If the exchange were fixed at 1*s.* 6*d.*, by the adoption of a gold standard at that rate, I think there is a risk that the balance of exports over imports might not suffice to pay her foreign debts. I have no doubt that, if at present the Secretary of State said he would not sell Council bills at less than 1*s.* 9*d.*, the Indian balance of trade would soon not suffice to pay India's foreign debt.

101. What was the state of things the year before last, I think it was, when the exchange was 1*s.* 6*d.* or over?—I believe that a year and a half ago, when the exchange was sent up by the action of the American Government, the surplus of Indian exports over imports was greatly contracted.

102. I am looking at the value of merchandise imported into and exported from British India; leave the treasure out for the present moment, deal with merchandise, imports and exports. In 1888-89 the imports are Rx. 69,440,467 and the exports Rx. 97,049,532?—Yes.

103. If you take the financial year 1889-90, it is Rx. 69,197,489 to Rx. 103,460,398; if you take 1890-91, it is Rx. 71,975,370 to Rx. 100,227,348; it is just about the same in 1890-91, which would be a high year, as it is in the year 1888-89?—Yes.

104. If you take 1885-86. the difference is Rx. 28,225,355; in 1886-87, Rx. 26,692,766; in 1887-88, Rx. 25,539,043; in 1888-89, Rx. 27,609,065; in 1889-90, Rx. 34,262,909; no doubt it went up very much in 1889-90, but in 1890-91 it is Rx. 28,251,978, which is the same as it had been in 1885-86. In 1891-92 it was Rx. 38,750,421?—Yes; but during, the short period in which the high exchange existed exports and imports tended more than usual to an equilibrium. The surplus was contracted in 1889-90 to Rx. 34,262,909, and in 1890-91 there was a contraction of Rx. 6,000,000, the difference being Rx. 28,251,978.

105. That is quite true, but in 1889-90 it was for some reason very largely in excess of the previous

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years. You will find that in the previous four years the difference had been Rx. 28,225,353, Rx. 26,692,766, Rx. 25,539,043, Rx. 27,609,063; then there was a sudden rise to Rx. 34,262,909, it may have been from some exceptional circumstance?—1889-90; I do not know what the average exchange for that year was.

106. The average exchange for 1888-89 was 1*s.* 4·379*d.*, in 1889-90 it was 1*s.* 4·566*d.* The average rate was higher in 1889-90 with this very great increase in the excess of exports over imports?—Well, 1890-91.

107. In 1890-91 it was 1*s.* 6·090*d.*?—Yes; and there is a contraction in the surplus of six millions. I think that the great excess in 1889-90 was probably owing to some special cause.

108. It looks like it; but you see in 1891-92, with the average rate of exchange at 1*s.* 4·733*d.*, the excess is Rx. 38,750,421. Well, then if you look at 1888-89, when the average rate of exchange was 1*s.* 4·379*d.*, the excess is only Rx. 27,609,065.?—I am at present unable to explain why the surplus exports in the various years are not in due proportion to the various rates of exchange. The various factors have to be taken in each year as they stand; commercial and financial conditions produced them; they are the cause and the effect of the rates of exchange. If the India Council had in any year tried to obtain 10 or any other per cent. more for its bills than it obtained, it would have failed to sell its bills to the full extent, and the deficiency would have represented what India had failed to pay of its foreign debt.

109. (*Sir Thomas Farrer.*) You have the imports of treasure varying very much; there was an enormous import of silver in 1890-91?—Yes.

110. Why?—This large import of silver was owing to the silver legislation of the American Government.

111. (*Chairman.*) Our attention has been attracted by the fact that there has been recently a very large increase in the amount of the notes current. Beginning with March 1890, for example, as compared with any previous years between the years 1875 and 1890, the amount of currency notes in circulation on the 31st March had varied approximately, one may say, between Rx. 11,000,000 and Rx. 15,000,000; then on the 31st March 1891 the amount of currency notes in circulation advanced to Rx. 25,000,000; in March 1892 it was Rx. 24,000,000; and it is now, I understand, Rx. 29,000,000. Can you suggest an explanation of that great increase in the amount in circulation in 1891 as compared with the previous years?—Was it not higher than Rx. 15,000,000 in any year previous to 1890-91?

112. Oh yes, I am wrong, the highest in any one year was Rx. 16,431,629. That is the highest year; it varied between Rx. 11,000,000, we may say, and Rx. 16,000,000. I will just give you the years. For example: 1880, Rx. 12,357,727; 1881, Rx. 13,407,736; 1882, Rx. 13,907,178; 1883, Rx. 14,506,408; 1884, Rx. 12,756,541; 1885, Rx. 14,576,904; 1886, Rx. 14,173,272; 1887, Rx. 13,876,836; 1888, Rx. 16,424,379; 1889, Rx. 15,737,813; 1890, Rx. 15,771,780; 1891, Rx. 25,690,449; and in 1892, Rx. 24,076,408?—The American silver legislation had the effect of causing the private trade to send a very large amount of silver out to India which accumulated in the hands of the banks, and they of course preferred to hold that silver in currency notes; it was sent into the currency department and notes were given in exchange for it, and the banks held the notes. It will be found that simultaneously the cash balances of the Presidency banks were exceptionally high.

113. Then in your view that represents additional silver held by the banks?—Silver held by the banks for themselves and on behalf of their customers.

114. Now, to whom would that silver belong, do you suppose?—It would belong to the trade generally and to the banks. There was, no doubt, a disposition on the part of the exchange banks to accumulate funds in India; there was a belief that the American legislation was likely to have a permanent effect upon the value of silver. That was the general belief; it was thought that the great increase in the purchase of silver by the American Government would send silver up permanently to a very considerable higher level.

115. Then it was due to an expectation founded on the American legislation?—Yes, I think the banks, believing that the American action would steady the value of silver, were inclined to hold more of their resources in India than formerly.

116. In part that would be a holding of the banks themselves?—Yes.

117. And in part a holding for customers?—Yes.

118. Who may to some extent have speculated in the same way?—Yes, there is no doubt that the private trade kept a good deal of money in India, instead of remitting it home, on the general idea that silver would go still higher. A great deal of the money remains still in the country. The exchange fell, and many have not submitted to make remittances at the rate since prevailing. A great deal of the accumulation that now exists in India is owing to that.

119. Then it had fallen from Rx. 25,000,000 in March 1891 to Rx. 24,000,000 in March 1892; and on the 31st of July 1892 it was up to Rx. 28,046,582, and between those dates the exchange had been constantly falling. Can you account for that?—Well, I can account for it in this way, that there has been a great accumulation of money going on in India for the last three years from the fact that the Government have issued no new loans. There have been very few new investments making in India. Under ordinary circumstances the Government would in those three years have floated loans for probably 8,000,000*l.* or 9,000,000*l.*, and the accumulation of money has been increased by the Government in the Currency Department buying from the market Rx. 2,000,000 of securities; the money went into the hands of the public, and no doubt increased the note circulation.

120. Then those Rx. 4,000,000 increase between March 1892 and July 1892 would probably represent the holdings of the banks for private individuals, rather than a holding by the banks themselves, I suppose?—Yes, the deposits of customers in all the banks are very high; there are large accumulations of money now in the hands of the public from the scarcity of new local investments, and the absence for three years of new Government loans.

121. And, if there was an increase in the chances of investment in India, do you suppose that those figures would diminish again?—Yes, no doubt a Government loan would reduce them materially.

122. This money, these millions in excess over the notes which were in circulation prior to 1891, is silver which has not gone into circulation at all, but is held by the banks?—It is money held by the banks. There is no doubt that the increase in the note circulation as compared with previous years can be accounted for very largely by the increased cash balances of the Presidency banks.

123. The rate of discount of India has been very low lately?—Yes, very low.

124. You have pointed out the objections to the adoption of a gold standard in India; would your conclusion be that, notwithstanding the inconveniences which you have to some extent admitted, the best course will be to leave matters alone?—That is my conclusion. It seems to me to be the course presenting the least evils.

125. Now, supposing that silver continued falling, there would be a deficiency in the finances of India, would there not?—There would be, unless there was a revision of taxation, and, no doubt, that deficiency might be very serious for a year or two during the crisis. Supposing America stopped the purchase of silver, and there was a heavy fall, no doubt there would be a very large deficiency for one or two years.

126. And is it not a difficult matter to find the subjects of taxation to supply such a deficiency?—It no doubt is difficult, because the natives of India have

a great objection to direct taxation; but it seems to me logical to revise taxation, and increase it, having regard to the decline in silver and the very large annual importations of money into India. Having regard to the fall of silver, indirect taxation appears to me to be quite possible, and to be perfectly justifiable under the circumstances.

127. Of what description?—Well, I should say, customs. There is no doubt that the basis of taxation in India is far too narrow. Every other civilised Government gets a very large proportion of its revenue from customs. As a matter of fact, India gets very little from that source.

128. The facility of imposing it must in part depend upon the nature of the imports which you could tax, must it not? I mean as regards England; the idea is that luxuries are taxed, is it not? What duties could you impose?—Well, in an emergency, I should be inclined to impose *ad valorem* duties on both exports and imports. For instance, an *ad valorem* duty of 3 per cent. on the whole trade would give something like Rx. 4,000,000 or Rx. 5,000,000, and I think that under the circumstances such taxation would be perfectly justifiable. No doubt there are objections to taxation of that kind, but it seems to me to be a safer course than the adoption of a gold standard, or any other serious change in the currency of India.

129. An *ad valorem* duty of that description would tax certain articles that are very largely used, and which may be said to be necessaries, would it not?—Yes, as regards imports it would tax articles that are largely used by the well-to-do classes in India, who are now very lightly taxed. These classes are inclined to agitate against direct taxation, but they do not object, I believe, to pay indirect taxation upon the imports, upon cotton goods, and the articles which they use.

130. But cotton goods are very largely used amongst the people of India?—Very largely.

131. Well it would lead to their having to pay more for their cotton goods?—No doubt but it is assumed that increased taxation would be required; and no serious objection has ever been taken in India against import duties for revenue purposes.

132. Export duties would tend to check the trade of India, would they not?—I do not think they would appreciably check trade; my point with regard to export duties is this: I assume that those duties would only be imposed in the event of a very heavy fall in the exchange, say to 1*s*. Well, in that case the producer, say of wheat, would presumably get 15 or 20 rupees per hundred more than he gets now, and I think it would be fair for the Government to obtain a share of this increased price by taxing his exportable produce.

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133. Are you assuming he would get the same gold price?—I am assuming that he would get the same gold price.

134. Then you do not adopt the view that the fall of silver on articles exported by India tends to reduce their gold price because that has been the view put forward by some?—I do not agree with that view; the gold prices of commodities appear to me, on the whole, to depend upon the supply of and demand for the commodities; they seem to me to be determined apart from the price of silver, but the fall in the price of silver may ultimately have the effect of causing a fall in the gold prices of commodities, in so far as the fall in the price of silver stimulates and increases the production of such.

135. (*Mr. Currie.*) I think, Mr. Hardie, you said there was no circulation of gold in India or the probability of the circulation of gold, did you not?—Yes.

136. Is it or is it not the fact, that the exchange banks now prepare, for exportation to India, ingots which are stamped with a certain value and weight?—Yes.

137. What becomes of them?—They are sold as a commodity.

138. They are not melted into ornaments?—They are melted into ornaments.

139. Entirely, do you think?—Not entirely. They are also hoarded, and otherwise disposed of.

140. Do you not know that it is the custom of India to take these ingots as a medium of exchange; they pass from hand to hand, do they not?—No, I have not heard of it, not as currency; they are bought and sold, rupees being received and paid for them.

141. There is a demand for them in India, in fact?—Yes, as a commodity as gold.

142. Therefore, would not that imply that, if the people of India had the possibility of having gold coins, they would use them?—It rather seems to imply that they would be very keen to obtain gold coins to abstract them from the currency in exchange for their coined rupees.

143. Then what would they do with them? They would not perpetually hoard them, would they?—I think so; they would keep them as a reserve against need, either as coins or as jewellery.

144. No man hoards gold and silver except, for the possibility of using it some day?—No doubt that is so; but I do not think that gold will ever be forthcoming from the natives of India, in a manner that will afford practically any gold currency to the country.

The witness withdrew.

Mr. Robert Campbell called in and examined.

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145. (*Chairman*). You are manager of the National Bank of India?—Yes.

146. That bank is largely concerned in exchange business?—Yes, largely concerned in exchange business.

147. I do not know whether you have seen the memorial of the Indian Currency Association?—I have seen it.

148. And are acquainted generally with their proposals?—Yes.

149. They propose that, if no international agreement is arrived at for fixing a ratio between gold and silver, India ought to be at liberty to adopt a gold standard?—Yes, and to close the mints.

150. To close the mints in connection with the adoption of the gold standard?—Yes.

151. You are aware of the difficulty which the Government of India experience in consequence of the fluctuations in the exchange?—Quite.

152. From the manner in which their budget estimates are often very far from being realised by reason of the very heavy fall in silver in the meantime?—Yes.

153. Have you considered what would be the probable effect of the adoption by India of a gold standard?—A gold standard without the gold?

154. Well, take the case in both ways; first of all, do you think that it would be practicable to adopt a gold standard with the currency still in the main silver?—I do not think it would.

156. Will you favour us with your reasons?—Well, I think that the adoption of a gold standard, closing the mints at the same time to silver, would place the present currency of India in the position of a token currency, and I think that would be a great mistake and a great evil. The extent of the influence, of course, would depend upon the ratio that was fixed. If the ratio were fixed at 1*s*. 6*d*. per rupee, the effect

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would be greater than if the ratio were fixed, say, at 1*s.* 4*d.*, and the risk, if I may say so, of a break-down of the system would be greater in the one case than in the other; but the pushing up of the exchange in that artificial way would, I think, have a very prejudicial influence on certain branches of the trade of India. It would tend, I think, to discourage exports—to check exports, and to some extent to encourage imports. Now it is by the excess of exports over imports that India at present is able to fulfil its sterling obligations; and, if natural influences or natural causes were interfered with to such an extent as to bring the export and the import trade of India to somewhat near an equilibrium, that is to say the one balancing the other, it would be impossible for India to pay its debt, or in other words the Indian Council would be unable to sell its bills on which it relies for providing its home requirements.

157. Now, supposing the ratio to be fixed at 1*s.* 4*d.*, which would not be a great variation from the present rate, and certainly would not be any great variation from a rate that has been very commonly experienced in recent years?—Yes.

158. What do you think under those circumstances would be the effect of introducing a gold standard?—Well, one effect would be to knock the price of silver down in the open market. How much it might fall it is impossibte to say, but it is quite possible that silver might fall to the equivalent of 10*d.* or 1*s.* to the rupee; so that you would have the rupee circulating in India at the artificial value of 1*s.* 4*d.*, while the silver contained in it was only worth, say, 10*d.*

159. Well, what would be the effect of that?—Well, the effect of that would be this: take the Indian tea industry, for instance, which has developed into a very large and important industry. It has developed so far as to force China tea almost on one side. China tea is a mere nothing now as compared with the Indian and Ceylon tea industry; but, if you raise the rupee to, say, 1*s.* 4*d.* in India, and the dollar should go down to the equivalent of 10*d.* or 1*s.* per rupee in China, the effect would be that the Indian tea-grower would have to sell his tea here in London at 2*d.* or so a pound higher, and the Chinaman would be able to sell his tea at perhaps 2*d.* a pound lower, than he had done before; the consequence would be, I think, that Indian tea would again go into the background, and China tea would come to the front. And you would to a large extent destroy the Indian tea industry.

160. Why should the price of silver fall so much by reason of the adoption of the gold standard at that ratio, if you required as much silver currency in India for the purposes of India as you do now?—That is the point; would you require as much, I mean as much new currency; would you require to import as much silver?

161. But why should you import less? the silver that is now imported goes into the currency or into ornaments?—Because you would affect trade to that extent that it would not be able to take it. Take tea, that is only one thing. If you reduce the exports of tea by one-third or one-half, if you interfere with the exports of wheat, and of cotton, and of other things, while the same influence has a fostering effect on imports, you will bring the export and import trade nearer to what I call an eqilibrium, where you do not want the specie

162. I understand your point with regard to the tea, because you say that the tea is competing with tea from a silver standard country?—Yes.

163. Your view is that a fall in the value of silver would enable silver-using countries to compete on more favourable terms; but, as regards wheat, there would not be any such effect, would there?—Not to the same extent, certainly.

164. But why at all?—Well, the high exchange would require the Indian grower to sell his wheat at a higher price in England to get the same rupees for it. American wheat would come in and get the benefit of that higher price, and probably interfere with the Indian exports. The higher price in England would attract wheat from America and from Russia, and from all other wheat-growing countries.

165. But not more than it is attracted at present, would it?—I think it would. If the Indian wheat exports were checked, it would leave freedom for those other countries to come in.

166. They do come in now in competition, do they not?—Of course they do.

167. The Indian wheat is not what rules the market here universally, is it?—It is an important factor in it.

168. No doubt?—But what I say is that the Indian wheat-grower would require to get a higher price for his wheat in England, and the American might be able to step in and undersell him.

169. Then your objection really is to anything which would prevent India enjoying the advantage in the fall of silver?—To a large extent, yes.

170. Do you think that can go on indefinitely as an advantage, to India? that, the more silver falls, the more India will benefit?—From the Government point of view it is quite the other way; but, as far as the great mass of the people go, I do not think a fall of silver is any harm to them at all.

171. No, but I am saying you would suggest that it is an advantage?—I did say it was an advantage, just in the same way as I say it was an advantage to the European nations when the great gold discoveries in California and Australia took place. They lessened the purchasing power of gold, but they developed trade and industry to a very large extent, and were the precursors of an era of great prosperity.

172. The result of it is that India exports more for the same return?—No, she exports less for the same return in rupees; she gets a higher rupee price for her produce.

173. You mean if silver falls?—If silver falls.

174. She gets a higher rupee price, but the rupee is worth so much less?—Yes, but that is an influence that takes a long time to make itself felt in the interior of a country like India. In wages and other things there has been very little change.

175. But do you think, if it goes on long enough, and the fall continues to be great enough, that it must not make itself felt?—Of course there is reason in everything. If the rupee were to go down to 6*d.* or 8*d.*, it would be a very serious thing, but the question is, is it likely to go to that?

176. Why is it not likely to go down to any extent that you can name?—Because there must be a point where the fall in price will check production, and the supply will fall off; there must be a point where the two will meet.

177. Yes, but where that point may come in the price of the rupee, nobody can speculate?—It is impossible to say with any certainty; but I have been talking over that question of supply with perhaps the best-informed people in the City, with people who deal in silver from all parts of the world, and they are inclined to think that the process has begun, and that the supply is being checked.

178. Generally, do you mean?—Generally.

179. There is not much sign of it, is there?—There is not much sign of it yet, chiefly for this reason that, up to recently, there were enormous stocks of silver held by speculators who thought some action would be taken by America; that there would be free coinage or something of that kind. It is only recently that these stocks have been cleared off. I am told now that they are cleared off, and that we are now face to face with production: but of course, while these stocks were in process of being got rid of, the supply of silver appeared to be as great as ever.

180. Do you think, apart from the effect which you would deprecate, it would be practicable to adopt a gold standard for India?—A gold standard without the gold?

181. Well, either with or without?—Well, with the gold—I do not think you could get the gold; if you got it, I do not believe you could keep it in circulation;

and without it, I think a gold standard without gold is somewhat of a fiction.

182. But is it necessary to keep any considerable amount of gold in circulation, in order to have a gold standard?—I do not see that a gold standard is a reality, without a certain amount of gold at the back of it.

183. We will come to the amount presently, but you do not suggest that the great bulk of the circulation of the country may not be silver, whilst yet it may have a gold standard?—I do not think so, because, as I said before, you would reduce your silver currency to a token currency.

184. Well, that may be. Take the case of France; the circulation of five-franc pieces in France is very large?—Yes.

185. Taken at a ratio of 15½ to 1?—Yes; but there is an immense stock of gold. France has got more gold than silver now; I think the stock of gold in the Bank of France is about 68,000,000*l.*

186. But how does the fact of the reserve stock of gold in the Bank of France affect the question of the large circulation of silver at the fixed ratio?—Well, they issue notes against both the silver and the gold, but they will not pay you gold for them.

187. No, but nevertheless the silver is used in the common affairs of life largely?—Yes, but it would not do to pay foreign debt.

188. No; but then in India the rupee is principally used for internal circulation, and not to pay foreign debt?—If you push exchange up sufficiently, it might practically come to that, if the silver were saleable.

189. But now it is used?—Now it is used, yes.

190. And the bulk of the transactions in India are such that, if you had no gold coin of a denomination lower than, say, 10 rupees, silver must continue to be used, must it not?—Certainly.

191. Well, then, I am not sure that I quite see why you suggest that it would be impracticable, without a very large amount of gold taking the place of silver, to have a gold standard?—Well, I think the fact would be a very great temptation to people—to capitalists in India—to send their capital out of the country altogether.

192. Why?—For instance, if the Government were to fix a ratio of, say, 1*s.* 6*d.* per rupee, and maintain that ratio, or attempt to maintain that ratio, by saying, "We will sell no bills on India below 1*s.* 6*d.*," the silver in the rupee falling, we will say, at the same time to 1*s.* or 10*d.*, I think it would be a great temptation to the native capitalist, and the European capitalist too, who sees that his rupee is only worth 1*s.* whilst the Government standard is 1*s.* 6*d.*, to say, "I will convert my rupees into sterling at 1*s.* 6*d.* while I can."

193. But how could he do it?—He would purchase a bill on England. He would go, for instance, to a bank, and say, "I want a bill on England for 1,000*l.*" The bank would say, "I will not give you 1*s.* 6*d.*, "because that I can get from the Council, but I will "give you 1*s.* 5½*d.*" He remits his money home; converts it into sterling at 1*s.* 5½*d.* The bank takes his rupees; and, if this went on to any extent, the banks would be in a position to say to the India Council, "We do not want your bills at 1*s.* 6*d.*; we are getting our rupees in a cheaper form."

194. Yes, but do you suggest that in that way a large amount of capital would be sent from India to England?—I think foreign capital would undoubtedly go; and, as I say, there would be a great temptation to wealthy native capitalists to take advantage of the same opportunity.

195. That would depend upon whether they could more advantageously use their capital elsewhere?—They could invest it in sterling securities.

196. It would be taken out of Indian securities?—It would be taken out of Indian securities altogether.

197. Out of Indian silver securities?—Yes, the rupee would be converted into actual sterling, taking advantage of the standard fixed by Government.

198. That is assuming of course the intrinsic value of silver to be considerably below that of the rupee?—Yes.

199. But do you think that a large amount of silver is held, which is not in the current every-day circulation required by the country?—Oh, yes, no doubt of it.

200. In what shape is it held?—In the Presidency towns it is held largely as deposits in the Presidency banks and the other banks. In the country it is in the hands of the native shroffs and bankers, who are very numerous and very wealthy.

201. That is the silver that you suppose would be converted?—A large proportion of it might be converted into sterling.

202. Is that held in the shape of rupees, or uncoined silver?—In both, and also as deposits at the banks.

203. In uncoined silver, or as rupees?—The banks hold coined silver or notes against their deposits.

204. And the silver is silver against which the Government have given notes?—There is also a considerable quantity of uncoined silver always held.

205. But the uncoined silver would not be affected by the standard; they could not do anything with that?—Oh, no, they would simply have to lose on it.

206. Then what you are speaking of relates to coined silver?—Yes.

207. (*Sir Reginald Welby.*) Hoarded coined silver?—Yes, or silver waiting investment.

208. (*Chairman.*) And is there a very large amount, do you suppose, of that, as distinguished from the silver used in circulation?—Oh, yes, there is a large amount of that.

209. Then your objection would apply to any ratio between silver and gold? A gold standard with any ratio for your rupee which would be above the market silver ratio of the time?—Yes, or, in other words, I would be opposed to the closing of the mints to free coinage.

210. You are alive to the financial difficulty which results from the variation in the exchange. Have you any remedy which you could suggest other than that suggested by the Indian Currency Association?—If something has to be done—in the event, say, of America stopping its monthly purchases—the remedy that I would be inclined to suggest is very much the remedy suggested by Sir John Lubbock as reported in the *Times* this morning, only I would put it in another form. Instead of imposing an additional mint seigniorage on silver, I would impose an import duty on silver; for this reason, that there is a great deal of silver which comes in to India now, that never sees the mint at all, and of course the mint seigniorage would not affect that; and, if you were to increase the mint seigniorage to 10 per cent., you would encourage the people to take their silver in bullion and not send it to the mint; but an import duty of course would affect everything that came in.

211. What do you think would be the effect of an import duty upon silver?—The effect of an import duty upon silver would be in some degree, but in a much lesser degree, to handicap the Indian trade, but then you would know the extent of the evil; you would know that 10 per cent. was the worst of it, whereas in the other case it might be 30 or 40 per cent. or anything.

212. What effect would the duty, do you think, have upon the silver market?—It might send silver down without affecting the exchange; that is to say, supposing the exchange were to remain the same as it is to-day, the fall of silver would be 10 per cent.

213. (*Sir Thomas Farrer.*) A 10 per cent. duty?—A 10 per cent. duty.

214. (*Mr. Currie.*) Should it be an *ad valorem* or a fixed duty on per ounce?—That is a matter that might be considered.

215. Is not that rather important, because, if silver falls, as I think you said it might do, to 1*s.*, would not

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the duty have a less effect?—Yes, I think it ought to be *ad valorem*.

216. (*Chairman.*) You would propose by that means to raise a certain amount of revenue?—It would have the effect of raising a certain amount of revenue; it would have the effect of keeping the rate of exchange steady; a further fall of 10 per cent. in silver would be a most material factor probably in the checking of over-production.

217. But would it follow that an import duty in India of 10 per cent. would produce a fall of 10 per cent. in the price of silver?——

218. (*Sir Thomas Farrer.*) Here?—It would probably act to some extent in depressing silver, and to some extent in raising exchange. Whether its influence predominated in one direction or the other would depend upon the condition of the exchange and silver markets at the time.

219. (*Chairman.*) Is the Indian demand, then, that which alone regulates the market?—It is the principal factor.

220. Have you made any estimate of the amount which such a duty would produce?—I should say somewhere approaching 1,000,000*l.* sterling.

221. (*Mr. Currie.*) But is not the consumption of silver under the American Act equal at least to the Indian consumption of silver?—Yes, about it; it is not quite equal, I think.

222. 4,500,000 dollars a month, or 54,000,000 a year,—nearly 11,000,000*l.*?—11,000,000*l.* sterling.

223. How would it affect the American price of silver?—The American price of silver would have to fall.

224. (*Chairman.*) Do you think the same amount of silver would be imported if this duty were imposed, as is imported now?—I should think so. Then again, if I may say so, I think that that would be a step which could be modified or retraced if necessary, much more easily, and without a chance of disaster, than such an extreme step as closing the Mint.

225. Do you think that that would tend to prevent the great fluctuations in the rate of exchange that are manifested at present?—No, I do not think anything short of bimetallism would do that; international bimetallism. But we have always had great fluctuations in exchange. I have known, even in the times when Europe was bimetallic, fluctuations between 1*s.* 11*d.* and 2*s.* 3*d.* in one year.

226. Yes, but the fluctuations have been sometimes up and sometimes down?—So they were then.

227. Yes, but practically speaking for a long time past the fluctuation has been in the main downward?—In the main, yes.

228. In fact, that is what in your view has been advantageous to the Indian producer?—Advantageous to the Indian producer.

229. A fluctuation which varied in its direction you would think, I suppose, disadvantageous?—The fewer fluctuations we have, the better; but we have always had fluctuations, and always must.

230. If you think the fall a good thing, the rise must be a bad thing?—By the word fluctuation, I do not mean a steady rise or steady fall; I mean a movement sometimes in one direction and sometimes in the other.

231. But, in your view, a rise in the exchange would be disadvantageous to India?—It would check the Indian export trade.

232. You have said that, in your view, the import of silver into India would remain unaffected by the imposition of a 10 per cent. duty; what is it that creates the demand for the importation of silver, so that it would remain unaffected?—It is the same thing that creates the demand for the Indian Council bills—the surplus of India's exports over her imports; it has got to be adjusted one way or another. It is adjusted partly by Indian Council bills and partly by the importation of silver.

233. Then the condition of trade by the excess or surplus of exports over imports would necessitate in your view, the import of an equal amount of silver, and therefore the import would remain the same, even though a duty were imposed?—I think, nearly so; the difference would not be important.

234. Your view is that silver is the only thing in which you can settle that balance between the exports and the imports?—Ultimately, yes; silver and Council bills.

235. Why should not that be settled by a stimulating of the imports other than silver,—of commodities? You have got this to be filled up; why should silver be the only thing to fill it up?—Silver and Council bills adjust the balance.

236. I do not quite see why it should not stimulate the import into India of commodities other than silver?—A rise in exchange would do so; a rise in exchange would stimulate imports; and I say, if you take any measure to check exports and stimulate imports, you will restore an equilibrium where neither silver nor Council bills would be wanted at all.

237. (*Sir Thomas Farrer.*) Is not the demand for silver one of the elements in the balance of exports and imports; why is silver so very different from every other commodity?—In the same way as the balance of trade between this country and America, for instance, is ultimately settled by gold.

238. (*Chairman.*) Is the balance of trade between this country and America always settled by gold?—In the end, it is.

239. Are not her securities ——?—Securities are a great factor in the balance of international trade.

240. You treat them as an import?—I treat them as exports and imports.

241. But, as a rule, do not the exports from one country to another stimulate imports from that country—from the country that takes the exports?—Certainly.

242. (*Sir Thomas Farrer.*) Is it quite true that between two gold countries the balance is always settled in gold; is not the effect of the alteration in exchange, that export or import in the one is stimulated and in the other discouraged, and then the balance settled in goods?—But the point comes when they do not want any more goods, and they do not want any more securities. They want gold, and they will take gold.

243. Then there is a demand for gold?—Yes.

244. Then it is the demand for gold that settles it?—It is the demand from one country to another to pay its debts; one country says to the other, "I have sent you so much, and I require an equiva-"lent in return. I have taken as much of your "goods and securities as I can; I do not want any "more of them, I want gold."

245. (*Chairman.*) Yes, but does not an increase of exports to a particular country tend to an increase of imports of commodities from that country—I do not say the two balance, but does not it tend in that direction?—Yes, that is so, because the ships that take the one are naturally employed to come home with the produce from the other.

246. In short, as a rule, goods buy goods?—Goods buy goods; it is only the balance that is settled otherwise.

247. (*Sir Thomas Farrer.*) When we wanted gold in the case of almost a panic, was that a result of a balance of trade, or was that a result of a demand for gold, in this country?—Well, the balance of trade is a wide term. International trade is settled perhaps not directly with the one country. For instance, we owe America money, France owes us money; we say to France, "Ship your gold to America," and settle the balance in that way.

248. What I wanted to get at is this; is there not a demand for the precious metals which is exactly equivalent to a demand for other goods?—At times there is; in times of monetary pressure, for instance.

249. (*Chairman.*) The imports of gold into India result from a demand for gold, just like a demand for any other commodity?—Gold goes out to India as an article of export, just as any other does.

250. You have not formed, I suppose, any idea of what amount of gold it would be necessary to have in India for the purpose of adopting a gold standard, supposing you maintain your silver currency as the ordinary currency for the small transactions of India?—No, and I do not understand how you are to get the gold.

251. Do you think that any of the gold in India would come to be minted, if there was a gold standard adopted?—No, the law would then apply, the universal law, by which, when two metals are circulating in the country together, the least valuable of the two drives the other from circulation.

252. (*Mr. Currie.*) That is only if you have free coinage of both, is it not?—Yes, or when the two are circulated together as legal tender.

253. Yes; but, if you have a free coinage of gold and limit your coinage of silver, that would not be the case would it?—I think it would.

254. Why is it not so in France or Holland?—France is partly in gold; if you take a cheque to the Bank of France for 100,000 francs, and say "give me gold for that," they may say, "No, we will not."

255. That is to say, they keep a certain amount of reserve?—They exercise their discretion whether they will give you gold or not.

256. But still the silver in France circulates, notwithstanding its intrinsic value is largely below its nominal value?—France is a country with no foreign debt.

257. Well, take the United States. There is now the equivalent of over 60,000,000*l.* sterling circulating?—Yes, I do not think they are happy over it.

258. Well, but nothing has been driven out apparently at present?—No.

259. I do not know if you are acquainted with the case of Holland, the adoption of a gold standard by Holland applicable to its dependencies?—To Java?

260. Yes?—Yes.

261. Well, there the ratio has been fixed between silver and gold?—Yes.

262. And the silver coinage remains the principal circulation?—Yes, but the silver coinage of Java is legal tender in Holland.

263. Yes, but what difference does that make?—It makes just this difference, that, if you make the rupee legal tender in England at 2*s.*, you fix the value of the rupee at 2*s.*

264. Of course Holland gives a larger area for the circulation of the silver coin. But take Holland itself. Holland has a gold standard; its silver coinage circulates at a ratio considerably above its intrinsic value; well, why is that possible? according to you, it would rather seem to be impossible. Why does not the gold drive the silver out?—Well, I am not sufficiently conversant to say that. Is not Holland in the same position as France in that respect, that, if you ask for gold at the Bank of Holland, they have a right to say, "We will not give it you."

265. I cannot answer that; but the silver is legal tender, I understand, to an unlimited amount, and the currency in circulation in the country is silver, but the standard is gold.

266. (*Chairman.*) Our attention has been drawn to the fact that, beginning with the year 1891, the amount of currency notes has very largely increased. On the 31st of March 1890 it was Rx. 15,771,780, in 1891 it was Rx. 25,690,449, and in 1892, Rx. 24,076,408, and on the 31st of August of this year it had risen to Rx. 29,065,039. Can you give the Committee any explanation of the cause of that?—I have been struck by the figures; but I think the explanation is that the use of notes is being more widely spread, and also that the trade of the country is increasing. And there is another thing that may have tended to make money more plentiful; and that is that the Indian Government for the last three years have issued no rupee loans.

267. So that this would be a part, at all events, in your view, of an accumulation of capital waiting investment?—An accumulation of capital waiting investment.

268. (*Mr. Currie.*) But are you aware that previously to that the currency was practically stationary or fluctuated very slightly?

269. (*Chairman.*) The amount of currency notes in circulation on the 31st of March 1875 was Rx. 11,236,438; 1876, Rx. 10,999,927; 1877, Rx. 11,617,811; 1878, Rx. 13,574,750; 1879, Rx. 11,423,645; 1880, Rx. 12,357,727; 1881, Rx. 13,401,736; 1882, Rx. 13,907,178; 1883, Rx. 14,506,408; 1884, Rx. 12,756,541; 1885, Rx. 14,576,904; 1886, Rx. 14,173,272; 1887, Rx. 13,876,836; 1888, Rx. 16,424,379; 1889, Rx. 15,737,813; 1890, Rx. 15,771,780; a very small variation; then it goes up in 1891 to Rx. 25,690,449.

270. (*Lieut.-General Strachey.*) In the course of six months?—I do not know any reason for such a sudden bound as that.

271. Are you aware, Mr. Campbell, that the bulk of this money is in reality at the present time in the hands of the Banks of Bombay and Calcutta?—Yes, that is so.

272. And also are you aware of the following curious circumstance? I have here the returns of the Bank of Bengal, the last figures that we have got. The trade demand, I take it, in the three months, July, August, and September, is represented by the advances, loans, and credits given by the Bank, and bills discounted; for these three months, they were 3 crores and 46 lakhs, 3 crores and 5 lakhs, and 3 crores and 19 lakhs; and during those three months the balance of the Bank in cash and currency notes was 4 crores and 57 lakhs, 5 crores and 42 lakhs, 5 crores and 9 lakhs, besides investments in Government securities, 1 crore and 88 lakhs, 1 crore and 71 lakhs, 1 crore and 67 lakhs, and therefore you may say the available assets of the Bank during those three months amounted to about 7 crores of rupees against a trade demand of 3 crores?—Well, that arises to a large extent from the increase of the deposits.

273–4. Where do these deposits come from?—From the whole of the community generally; a large portion of them from the exchange banks.

275. Then, is that accumulation of money the result of a speculative transmission of silver to India?—To some extent it may be.

276. The accumulation of the silver, for the silver is there?—Yes.

277. At the same time that there is this large issue of notes, as Lord Herschell mentioned, there is an accumulation in the currency department of 20 crores of rupees, which is 10 crores of rupees of silver and bullion in excess of what it was in the middle of 1890, which shows an absolute accumulation of silver?—Yes; I think it is partly accounted for by the efforts that were made to remit out to India as much as possible in silver during the time of the American boom, as they call it, when there was a prospect of free coinage being adopted.

278. (*Chairman.*) That would account for a sudden rise about that time?—Yes.

279. But then the curious thing is that, whereas it had got down in 1892 nearly two millions, Rx. 1,600,000 below what it was in March 1891, it has gone up within the next four months to Rx. 4,000,000 at a time when no such cause can be operating, I suppose?—Well, it is simply idle money lying at deposit in the banks.

280. (*Mr. Currie.*) Deposits in the banks are not made in rupees, are they; are they not made by a transfer from other banks? When your bank receives a deposit, it does not get it in the form of coined rupees, does it?—Oh no, cheques or notes, or in various ways.

281. Then, I do not quite understand how the increase of deposits necessarily causes an increase of currency?—Oh yes. Suppose we exchange banks send out our money in silver, the silver is minted,

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and the currency notes we get from the Mint paid into the Bank of Bombay and the Bank of Bengal.

282. (*Sir Thomas Farrer.*) They send the silver, convert it into notes, and the notes are deposited with the bank?—We keep our accounts with the Presidency banks, and we deposit the notes there.

(*Mr. Currie.*) That I can quite understand, if your banks make a speculative remittance; but I do not see how the increase of your deposits increases the currency in your hands, because those deposits do not come to you in the form of currency, do they?—No, not always.

284. The exchange banks are large holders of currency at the present time?—Yes.

285. And their remittances are represented in the Bank of Bengal, possibly?—Yes, one way our deposits come to us is this: we negotiate a merchant's bills on London, and place the proceeds to his credit; he draws them out, or he may leave them with us.

286. They exist in that form; I have a credit entry if I have a balance at your bank?—Yes. Still the 8,000,000 or 10,000,000 of silver that has been sent out in the course of the 12 months is turned into coin at the Mint.

287. That would seem to argue, would it not, that the shipments of silver to India had been rather in excess of any coinage demands?—They have been, I think, in excess of requirements.

288. (*Chairman.*) The curious thing is though, at least it struck me so—I have not gone minutely into it—that the increase between 1890 and 1891 is apparently very considerably in excess of the increase of import of silver at that time over the normal import, very largely indeed as it appeared to me; the increase of these currency notes which was put at, say, 10,000,000, is largely in excess of any abnormal import due to high exchange.

289 (*Lieut.-General Strachey.*) There was a great failure in the trade in the latter part of the year?—There was.

290. Which tended, of course, to the accumulation of the money?—Yes.

The witness withdrew.

Adjourned till Tuesday, November 1st, at 11 a.m.

At the India Office, Whitehall, S.W.

SECOND DAY.

Tuesday, 1st November 1892.

PRESENT:

THE RIGHT HON. LORD HERSCHELL, THE LORD HIGH CHANCELLOR, THE CHAIRMAN, PRESIDING.

THE RIGHT HON. LEONARD COURTNEY, M.P.
SIR THOMAS HENRY FARRER, BART.
SIR REGINALD EARLE WELBY, G.C.B.
MR. ARTHUR GODLEY, C.B.
LIEUTENANT-GENERAL RICHARD STRACHEY, C.S.I.
MR. BERTRAM WODEHOUSE CURRIE.

MR. HENRY WATERFIELD, C.B., *Secretary.*

MR. JAMES THORBURN called in and examined.

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291. (*Chairman.*) You are a partner in the firm of Forbes, Forbes, & Co. of London, and Sir Charles Forbes & Co. of Bombay and Kurrachee?—Yes.

292. They are East India merchants?—They are East India merchants, yes.

293. I believe you yourself have been in India?—Yes, for a number of years.

294. You went there in the year 1865?—Yes.

295. And for several years you were a director of the Bank of Bombay?—Yes.

296. Between what years was that?—Between 1879, I think, and 1885.

297. And in 1883 you were chairman of the Chamber of Commerce in Bombay?—Yes.

298. You are acquainted with the proposals of the Indian Currency Association?—Yes, I have recently become acquainted with them.

299. With reference to the point in the 20th paragraph of their petition, that "the trading community are harassed by the uncertainty and the "fluctuations of exchange to such an extent that "legitimate trade is often replaced by speculative "and gambling transactions," what have you to say?—I am disposed to say that that is so. Might I make any observations as to my experience?

300. Yes, certainly?—I would say, from my own practical experience, that the hindrances to business have increased very much. After the Franco-German war we had very serious fluctuations, and I and many others began to take a very serious view of the rupee question from that time, and the natives also to a certain extent began to hesitate about the conduct of their business. Everyone became more or less nervous about entering into business transactions, and since then that feeling has grown and business has become more difficult; that is my experience.

301. Do you think that those fluctuations have hampered trade?—Oh, very much indeed; I think certainly they affect merchants and native traders very much indeed.

302. And they are conscious, you think, of the hampering of trade?—Oh, unquestionably.

303. Then do you think the trade would have been greater but for these fluctuations?—It would have been steadier, I think, much steadier, and more satisfactory.

304. But not necessarily greater in bulk over a series of years?—I do not know that it would. I think that the decline in exchange, at least in its early stages, unquestionably did stimulate export business to a certain extent, but that has generally been followed by a reaction. The markets get glutted when produce, such as wheat, is sent forward in large quantities, and a reaction is generally the result, when little or nothing can be done; people are more or less idle, and I think that, but for these

violent fluctuations and the fall of exchange, business would have progressed more steadily.

305. Then, in your view, although the fall in exchange may have had a stimulating effect from time to time, upon the whole it has not increased the bulk of trade?—I should say not. I should say that we have unquestionably made progress, but the increase has been due, primarily, to the opening of the Suez Canal. That was the first thing, I think, that gave a stimulus to trade. Take for example the wheat trade; wheat could not be shipped previous to that; it took five or six or seven months to make the passage round the Cape; and, if you had shipped it, it would probably have gone to pieces with weevils. The Canal certainly gave it an impetus. And then the extension of railways, accompanied by a gradual fall in carrying freights. I think these three things have contributed more to the development of the wheat trade than has the fall in exchange.

306. In your view, such stimulus as there was would be frequently, at all events, followed by a reaction, and, therefore, upon the whole there would be no stimulus?—That is my view, my Lord.

307. That is your view?—Yes; then, if you will allow me to state—but perhaps I am out of order in offering opinions?

308. No, certainly, we shall be happy to have your views?—I should say the difficulties have latterly been greatly increased, because these fluctuations have been much more serious—they have meant much more—a much higher percentage. Previous to the Franco-German war we had fluctuations; but they did not come so suddenly as they do now, and they meant much less, that is to say, a penny at that time meant only about four per cent., not quite four per cent. A penny now means seven per cent., and traders and merchants did not then much feel the fall of a halfpenny for example. But a halfpenny or a penny now throws people entirely out of their calculations, and the natural tendency is to check or stop business.

309. Do you think that it has had any effect in preventing investments in India, and the consequent development of India?—Oh, I should certainly say so. If you would allow me to put that in a very practical way, you will gather my view from that. Supposing we as merchants having establishments in Bombay and Kurrachee, at the commencement of this year, looking forward, for example, to large crops, and more money being required, had decided to send out an increased amount of capital for the time being, say, to be returned at the end of the busy season; supposing we had sent out on the 1st of January of this year 20,000*l.* at 1*s.* 4½*d.*, and brought it back at the end of the busy season, it would have come back to us at 1*s.* 2½*d.* We would have lost 14 per cent. by moving our funds even temporarily to India. The result of that is that parent houses at home cannot give that support to their mercantile establishments in India that they would do; in short, they cannot move funds either way unless at the risk of serious loss.

310. Then, in your view, supposing the idea to be correct that the fall in exchange stimulates production, looking at the matter as a whole, there would have to be set against that the impediment to the investment of capital in India as stimulating the trade of India?—Yes, I should certainly say so.

311. Is there any other matter bearing upon that particular point, to which you would wish to direct our attention, before we come to the question of remedy?—As bearing upon that point, I should say that of recent years business difficulties and exchange fluctuations have attracted the attention of the natives much more than they did in its early stages, because they feel it much more; in its early stages I think it more directly affected the European merchants, but now it affects the native traders to a much larger extent than it did before; and, while it has increased the difficulties, I should also say it has involved native traders in serious loss. I presume the Committee have seen a petition that was addressed to the Government of India lately by the native traders in Kurrachee. That is an illustration of what I mean. We have an establishment there, and I would just like to mention that in the early months of this year all the importing native merchants of Kurrachee entered into a combination to discontinue buying goods. I think it was for a period of four months; the stock of goods which they held, or which the merchants held for them, had been bought when exchange was high, and they felt themselves face to face with a loss; and the only remedy they could see was to enter into a combination to discontinue importing, with a view to getting prices up and relieving themselves of the burden; and, as a matter of fact, during this year, since that combination was entered into, the buying of Manchester goods has been almost nil; it has almost entirely put a stop to the trade, and the combination still holds good. Yet they have not succeeded in the way they expected in getting prices up, because Bombay is only a short distance from Kurrachee, and a very considerable portion of the goods sold in Kurrachee are sent up from Bombay. The Bombay traders tried to enter into a similar combination, but they are such a numerous body that they failed; and the result was that in course of time, as stocks began to run down, the Kurrachee merchants could not support prices owing to goods coming up from Bombay. The result is that they have not yet felt themselves in a position to resume buying with any degree of freedom.

312. Do you suppose that that sense of dissatisfaction with the system under which these fluctuations are felt is growing?—I certainly think so; it puzzles their minds, because many of them really do not know what it means. A very curious instance of that took place in 1890; I think it would be when exchange had advanced so much, when it ran up to about 1*s.* 9*d.* There is a very considerable trade done in Kurrachee in wool; it nearly all comes from Afghanistan, from Herat and other provinces, and it is brought down to Kurrachee by Afghans, who have got connected with trading firms. They have got agents in Kurrachee; some of them are there temporarily and some permanently, and for the most part they sell their wool in Kurrachee to people who clean it and ship it, and act as merchants or forwarding agents. The advance in the rate of exchange lowered the price of wool very much, and they were told that it was the rupee—these trading Afghans—and they were extremely puzzled about it, and many of them went back to their own country, believing that it was the Government that had done it; that they had tampered with the rupee in some shape or other, and caused them serious loss. I know, from my weekly correspondence at that time, that many of the agents in Kurrachee wrote to Candahar and elsewhere, and told their correspondents not to send any more wool until the Sircar or the Government altered their policy about the rupee. The advance in exchange was only a temporary one, and business was resumed again subsequently, but it checked business seriously for the time being. These are matters of personal experience.

313. Have you anything further to add about the evil, before we come to the remedy?—I think I should like to add that everyone is apprehensive of the evils which are now experienced becoming worse; people have more and more lost confidence in the stability of the rupee, and none can see what the end of this may be; and, therefore, natives and merchants alike hesitate to enter into future operations—forward operations. I would mention that the trade of India is almost entirely carried on now by means of forward operations, at all events in the leading staples. You have got to buy forward; you have got to sell forward; and no one can see what is going to happen between the time you buy and the time the goods come on the market for sale or delivery. Indian produce, such as wheat and cotton—nearly every particle of it that comes to this country is all arranged for by forward sales. Similarly, nearly all the Manchester goods are

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bought forward, sometimes six months, and merchants and natives naturally hesitate to enter into contracts under such circumstances.

314. In your view, is it merely the uncertainty that has done harm, or has the fall itself done harm?—Oh, the fall itself has done harm, but the harm has been aggravated by fluctuations, and both of these affect prices.

315. That is what I mean?—Yes.

316. Is it the fluctuations merely?—Both.

317. Or the fact that the exchange is lower than it was?—I should say that it is not so much the exchange being lower than it was, as the daily fluctuations, the hourly fluctuations; they disconcert people and upset people's minds, to the detriment of business.

318. You are aware of the proposal of the Indian Currency Association, as regards the remedy for the state of things that you have described?—Yes, that is contained in paragraph 27 of their petition.

319. Yes; what have you to say in regard to those proposals?—I desire to speak with more hesitation about the future than about the past, because, speaking as I have done of the past, I am speaking from practical experience; but as regards the future, the subject being an extremely difficult one, I should wish the Committee to understand that I speak with reservation. Having, however, thought the matter over very carefully, and read for years past everything that I could lay my hands upon in connection with this question, I have come to the conclusion that, in the event of the International Conference resulting in nothing, India must be left to deal with the question herself, and I see nothing else for it but a gold standard. That is the conclusion I have arrived at, to base the silver currency of the country upon a gold standard, to bring about stability in the exchange.

320. Supposing that some such scheme were adopted, do you think that it would involve necessarily the holding of a large amount of gold, or the using of a large amount of gold in the currency of India?—Not necessarily at first anyhow; certainly I should say not. That question has been very fully dealt with at the public meetings held in Calcutta and in Bombay; I have read a report of these with great attention as being, I may say, the latest and the most reliable public utterances upon the subject. I have compared what has been said in Calcutta and in Bombay, and I lean very much to the idea of the Accountant-General in Bombay as to his view of the best method of introducing gold as the standard.

321. What is the document to which you are referring?—Two pamphlets containing reports of meetings lately held in Calcutta and Bombay, which I have brought with me.

322. Will you read us the passages that you think most important?—Yes, and I will be very pleased to leave those papers. Mr. Cox, the Accountant-General——

323. Where is this?—This is at Bombay.* In speaking of the suggested gold currency, Mr. Cox, the Accountant-General, says: "My resolution sug- "gests that such a haven of refuge may be found in "a system based upon the closing of our mints "against silver, and the declaration of a gold "standard; that is to say, of a fixed value for our "rupee expressed in the money language of those "countries which have a gold currency, and with "whom we principally deal. And here we are "often asked, both by friends and opponents, to give "a full and detailed account of how such a scheme "should be worked. It appears to me, however, to "be unreasonable to expect complete details at the "present time." I sympathise with that feeling. "The subject requires very full and careful con- "sideration before these details can be decided upon. "I will try, however, to give you a general idea of "how it seems to me this scheme could be worked. "You are aware that the balance of trade has always "been, and, as far as we can see, always will be, in "favour of India. India requires less of the products "of other countries than other countries require of "the products of India; so that, when from time to "time the balance is struck, it is found that some- "thing is due to India, and, since India requires no "more of foreign commodities than she has received, "it has to be paid to her in the precious metals. It "is at present paid both in gold and silver, "but chiefly in silver. During the year ended "31st March last our imports of gold amounted to "2¼ crores" (that is two and a quarter millions), "while our imports of silver came to nine crores" (*i.e*, nine millions). "The gold has been used for "hoarding or for manufacture of jewellery, the silver "mostly for the purposes of currency. The English "merchant, or the banker to whom he transfers his "liability, is, therefore, generally under a necessity "to become possessed of rupees in India, and he "has at present two modes in which he can procure "them. He can apply to the Secretary of State, "and learn at what price he will sell his ready "coined rupees in India. And, if he thinks the "Secretary of State's price is too high, he can "turn to the silver market and purchase silver bullion, "which he can ship to India, and have converted "into rupees at our mints after some little delay. "The consequence of this is that the Secretary of "State and the silver merchant are constantly bidding "against one another." That I have always thought to be a particularly weak position. There are two sellers and one buyer, that is to say, there is the seller of silver, and there is the Secretary of State as a seller as well. The exchange banks are practically the only buyers, and the natural tendency upon the part of the banks is to play off the one against the other, and to take council drafts only when they can get them at a 1-32nd more favourable rate, or silver if they can get it at a 1-32nd more favourable rate, and out goes the silver to Bombay, to be carted direct to the mint and made into rupees, whether the rupees are really wanted at the time or not for currency purposes. During the present year, at the present time for example, the Indian treasuries and the Presidency Banks have been overflowing with money, but at the same time the coinage of rupees has gone on as merrily as ever, the rupees going into the reserve treasuries, where the money was not really wanted. "But, if the Indian mints are closed to the free "coinage of silver, this competition will cease. It "would, I think, be necessary to exclude silver "bullion from India, by imposing a prohibitory "import duty." That means silver bullion imported not for minting purposes, but sold for other purposes, such as to the native states, for example, who do buy silver to a considerable extent. "Otherwise there "would be a risk of bullion circulating as a medium "of exchange, and a bullion price existing together "with a rupee price." That is to say, that the mint price might then vary with the outside market price of silver sent out for local sale. "If this were done, "the Secretary of State would have command of the "rupee market, and could demand from the merchant "or banker any price within reason which he chose "to ask. Everyone of course wishes to know what "price he will ask, but that is a detail which cannot "now be decided. A little while ago the general "impression seemed to be that, though 2*s*. was out "of the question, a 1*s*. 6*d*. rupee would probably "be productive on the whole of good. Since then, "however, exchange has fallen still further; and, when "this question comes to be settled, it may be decided "that the value of the rupee must be fixed at some- "thing lower than 1*s*. 6*d*. And after all it is very "important for us to remember that it is not so much "a high rate of exchange that India requires as a "fixed rate." That I quite agree with. "The "question then arises as to what extent should the "Secretary of State sell his rupees. Should he limit "himself to securing only so much gold as is needed

* *See* page 288.

" for paying India's home charges? If so, the banks " will be forced to export gold to India, and to have " it coined at our Indian mints. But, as such a pro- " cedure would make it difficult for the Government " of India to accumulate a reserve of gold, I anticipate " that the Secretary of State will continue to sell his " rupees for gold as long as the demand for rupees " lasts, and, if we are really to have a gold currency, " that he will remit to India, to be coined into Indian " money, all the gold he himself does not require." (Then he deals with the question of reserve, and the point you raised, my Lord.) " What then will be " done with the gold coinage? I do not think that " it will be at once put into circulation." I might perhaps be permitted to say, with reference to that, that during the years I have been in India I have noticed that currency notes have come much more into every-day use than silver. Twenty years ago, a native bringing money to your office for the payment of goods would probably drive up to your door in a conveyance with a lot of bags of silver. Now the great bulk of your receipts are paid into your office in the shape of currency notes, the inference being that he does not receive silver to the same extent now, as he did in payment of the goods which he sells. I think that, even with a gold currency, notes would be chiefly used.

324. That indicates a change of habit?—A change of habit. The natives have become much more accustomed to the currency notes.

325. Not a currency change, but merely the habit of using the notes instead of the silver itself?—Yes, quite so. "In exchange for them Government had " received upwards of 24 crores of silver rupees. Of " these, eight crores are permitted to be invested in " Government promissory notes, and thus to be " returned to the market. The balance of 16 crores " is securely locked up in our currency vaults, and is " useless for purposes of trade, its place being taken " by the currency notes themselves. As gold was " received from the Secretary of State, it could easily " be placed in the currency vaults, and an equivalent " value of silver issued in order to replenish the " money market. It would, I imagine, take some " two years to replace our silver currency reserve " with a reserve of gold." That is to say, the 16 crores which he speaks of. "And during " this time the Government of India, if it had not " yet decided upon a settled scheme, would be " carefully considering what course should be " eventually pursued in introducing the gold coin " into the market." Mr. Cox here deals with this question from the point of view that it might not be necessary to put gold in circulation at once. The gold going out might be placed in reserve at first.

326. But would it be necessary, according to that view? Perhaps you will give us your view, in the first instance, as to fixing the ratio or the limit beyond which the Government would not raise the value of the rupee?—I think the declaration of gold as the standard and the fixing of the ratio would be the initial step; and that, I should say, would involve the closing of the mints against the free coinage of silver, not against the coinage of silver, but against the free coinage of silver as now.

327. When you said coinage, but not free coinage, I understood you to mean that the mints would no longer be open for anyone who cared to send silver there to have it coined, but that the Government would themselves coin a certain amount of silver?—Precisely, the Government would regulate the amount requiring to be coined for currency purposes.

328. Having a ratio fixed?—Having a ratio fixed at, I should say, a moderate rate, and, if I might say so, with some notice, that is to say, I do not think the change should be made to take effect at once; I say this in the interest of the banks for instance, who, I know, buy silver forward or make forward contracts for silver, as they cannot get council drafts forward, and have to secure themselves against mercantile bills purchased in India; the only way that they can do so is to buy silver forward; so, if you were suddenly to raise the rate of exchange from 1*s.* to 1*s.* 4*d.* or 1*s.* 5*d.*, or whatever the ratio might be, it would not only be awkward for business, but I am afraid it would hit the banks.

329. What length of time forward?—I could not speak with definiteness upon that point; I have it both from the sellers of silver and from the buyers of silver, that forward contracts are made, but I have not seen contracts.

330. You do not know what the practice is in that respect?—I know that the practice is to buy forward.

331. You do not know what the practice is with respect to forward contracts?—I should say that would depend upon the operations of the banks in India; for example, the people who are selling cotton for March and April shipment now want to secure their exchange, and they go to one of the exchange banks in India and offer their bills for sale. The bank buys those bills at a certain rate of exchange, and the prudent and proper thing for a banker to do is to cover such operations as soon as he possibly can. He may not be able to cover by the purchase of mercantile bills here against goods going out to India; he cannot get council drafts forward; and, if he can cover by buying silver, he would naturally do so.

332. Now, supposing that there were a gold standard determined upon a ratio fixed, and that that were announced not to come into operation for some time as you suggest, what would be the effect in the meantime upon the silver market and the exchange, do you suppose: supposing the ratio fixed to be somewhat higher than the present rate of exchange?—Yes, then I should think that exchange would gradually advance. Silver, on the other hand, would to a certain extent depend upon the Secretary of State's purchases. I should expect silver to decline in price, but that would to a very large extent depend upon what may be the result of this Conference. I do not anticipate that much will be done there. Supposing nothing to be done, and supposing the step you mention should take place, I should say silver would give way in price, and exchange would gradually advance, until the time came when the ratio would be reached.

333. Do you think that would be a momentary effect; that permanently the decline of silver would be greater than if the present system were to continue, supposing India still to have a large amount purchased for the purposes of currency?—I think, if India ceased to buy silver as largely as she does now, I should look for a decline in prices. How far that decline would go it is impossible to say; that would depend a very great deal upon the action of America and the cost of production; and in the course of time that would naturally get to the lowest point when production would begin to fall off, and then silver, I would naturally suppose, would probably improve in price; but how low we may go it is very difficult for anyone to form an opinion.

334. Now you have given us your view as to the effect of announcing such a policy upon exchange and upon the silver market what do you think would be the effect as regards existing contracts, of fixing a ratio ahead in the way you have suggested? Would the suggestion be that you should stop the free coinage of silver at once?—Yes, I think so.

335. At once; you would not wait?—No, I think not; I think the Government should take the mints into their own hands—the supply of the mints—fix the ratio; close the mints.

336. Fix the ratio at once, but not let it come into operation?—Fix the ratio and close the mints, or announce that it was the intention of the Government to do so on a certain day—to fix the ratio and close the mints.

337. (*Mr. Courtney.*) Then the closing of the mints would be at a future date, as well as the adoption of the ratio?—Yes, I think that probably would answer.

338. (*Mr. Currie.*) If the ratio were declared for a future date, would not silver be speculatively shipped

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to India in large quantities, in order to participate in the higher price?—During the interval?

339. Yes, supposing the ratio were fixed to take effect three months hence, would it not be offering a premium upon all silver? Supposing, for the sake of argument, 1*s.* 4*d.* was the ratio declared, and you were to give three months' notice, everybody would scrape silver together and send it to a certain market?—At the present moment there will be a 1*d.* profit in doing so; I quite see that.

340. (*Chairman.*) You would stop the free coinage at once, so that those who were shipping it to India would not be able to turn it into rupees?—My idea was to close the mints, in order to prevent silver from being sent out in that way.

341. (Mr. *Currie.*) Then how, may I ask you, would you save the exchange banks who have bought forward, because, if silver were demonetised and they could not send it in for coinage, surely they would lose upon it?—Yes, I quite see that, I wish to safeguard that point.

342. How would you get over the difficulty?—It is a difficult position. Of course my view was to try and save the banks as regards those forward contracts, but it is quite possible that the banks, in anticipation of something of this kind taking place, may themselves cease making those forward contracts.

343. Would not a better plan be this? supposing you close the mints, let the banks themselves or let the public themselves fix the ratio, because, I imagine, the next time after the closing of the mints that the Secretary of State offered his bills for sale, the banks would have to make a gold price in competition with each other; they would have to make a price for them, would they not?—For the council drafts?

344. For the council drafts?—Yes.

345. What rate would that be?—I have not the slightest idea.

346. (*Chairman.*) Would they have to bid a somewhat higher rate than if the mints were opened?—Yes, I think so.

347. (*Mr. Currie.*) Would not that be a way of getting over the difficulty?—It seems a feasible way.

348. Did you not suggest that a duty should be put upon silver?—No, sir.

349. I thought I understood you to say that a duty should be put on silver?—That is what Mr. Cox suggests, with reference to silver imported for other than minting purposes.

350. And you do not agree with Mr. Cox in that?—No. Much the same thing, in another form, was suggested by Sir John Lubbock the other day, but I do not agree with that.

351. But surely it would not be wise to put an import duty on silver, if you shut the mints?—No, I do n t think so.

352. There is no reason why the natives of India should not import silver for their own purposes, if they choose?—I see no objection to that at all.

353. (*Chairman.*) But, supposing you allowed the fixing of the ratio by competition in the way suggested by Mr. Bertram Currie, would it not be necessary to fix a limit beyond which you would not go? otherwise you might have such a great advance in the rupees; such a continuous and great advance as to intensify the evil?—I think that that would be so. I think the ratio would require to be fixed, beyond which the Secretary of State was not to go on selling. I think so, otherwise you do not have a fixed ratio.

354. (*Mr. Currie.*) You mean to say, the Secretary of State could refuse offers if they were too advantageous?—No, not altogether that; I think we must start off by fixing a ratio.

355. (*Chairman.*) That is to say, that a ratio might be fixed at some future date, but that in the meantime it would be a question within that limit of competition?—I think so.

356. Which would probably gradually raise it to that limit by the time when it was to come into operation?—That is my feeling.

357. (*Sir Thomas Farrer.*) But, supposing that the mints were closed to the coinage of silver, there should be a ratio beyond which the Government should not go without coining more silver; you would not give the Indian Government power to close the mints indefinitely, would you?—Against the free coinage of silver.

358. So as to give them power to raise the ratio to any extent that they pleased?—I think that is almost too remote a point to consider. I know many people do entertain the idea, that at some future time it might be found practicable and beneficial to raise the standard. I have never gone so deeply into the question as to consider what might happen in that respect. Some people entertain the idea that some day we may get back to a 2*s.* rupee. I have not got that feeling at all; I do not entertain that idea.

359. (*Mr. Currie*) But would not the rate that the banks would fix in competition be probably based upon calculations which in themselves would be sound, as to the price which the coined rupees should be worth?—I think to a certain extent that would be so.

360. Are not the public, with the assistance of the higgling of the market, better qualified than the Secretary of State would be, with many of the facts either not before him or impossible to obtain? For example—many predict that it would have various effects upon various people interested in the exchange, but it is impossible to decide off-hand what the effect would be?—As a matter of fact, the banks have now very much the fixing of the rate of exchange; they fix the prices at which they tender for council drafts, or at which they buy silver, by the prices they buy or at which they know they can buy mercantile bills in India.

361. Well, the only new factor would be that silver would no longer be an alternative for the Secretary of State's drafts?—Yes.

362. All the other elements of calculation would remain?—I think so.

363. (*Chairman.*) Supposing the ratio were fixed in the manner suggested, what do you think would be its effect on the trade in the products exported from India, such as tea, wheat, and so on?—That, I know to be one of the difficulties—one of the objections to the introduction of a gold standard—India's trade with silver-using countries such as China and the Straits Settlements.

364. And also India's trade, as is alleged, in competition with silver-using countries?—That has been dealt with very exhaustively in the discussion which has taken place in India. Some people hold, for example, that the Indian opium revenue would go. I do not think that that is likely, unless the depreciation of silver should fall to a terrible extent yet. That, I think, will adjust itself in this way; the tendency would be for the price of opium to give way in India, and to advance in China, because the Chinaman must have his Indian opium. I think prices would draw together in that way. Then as regards tea. Well, I see from pretty confident opinions expressed by men who are interested in the India and China trade, that India would be capable, with a much higher rupee than we have now, of holding her own against China in the matter of tea, owing to the local taxation put upon China tea or which China tea has to bear.

365. Perhaps you could favour us with some of those statements.

366. (*Sir Reginald Welby.*) What are those statements that you are going to read?—This is a print of the meetings that took place in Calcutta and Bombay. It is a special print, from which I quoted before.

367. (*Mr. Currie.*) What is the date of it?—It bears no date—it bears the date of the meetings.

368. (*Chairman.*) When were the meetings held?—On the 13th of July the meeting was held in Calcutta, and on the 10th of August the meeting was held in Bombay. Mr. Mackay,* in speaking upon the subject of tea at page 6, says, "In some quarters "we are told that, if China retains a silver standard,

* *See* page 309.

" while India adopts a gold one, China will get the " better of India in tea. Well, gentlemen, Mr. Bell- " Irving, who is largely interested in Indian tea, and " knows something about China" (Mr. Bell-Irving is a member of the firm of Jardine, Skinner, and Co., and they are represented in China; they have establishments in China)——

369. In India do they deal in tea?—They are connected with tea.

370. They are connected both with the Indian tea trade and the China tea trade?—" Mr. Bell-Irving, " who is largely interested in Indian tea, and knows " something about China, tells us that it is questionable " if the difference of exchange will, in the face of the " heavy lekin duties "—I do not know what "lekin duties" mean——.

371. (*Lieut.-General Strachey.*) It is local duties?—" The heavy lekin duties and low range of prices " in China, lead to a material increase in tea exports " from that country. But, gentlemen, I would " venture to go further than this, and I would say " that China's silver standard, after we have adopted " a gold one, will materially tend to drive her tea " lands out of cultivation altogether, for this reason, " that the value of the silver which she will get in " exchange for her tea will not be sufficient to pay " for the clothing and food of her labourers." That is the view expressed by Mr. Mackay. Then he speaks at more length upon the subject. He takes up the different industries. On the subject of tea, he says, " Some people interested in tea tell you, when they " sell their tea at home, if exchange is low, they are " able to buy more rupees with the proceeds, and " that the rupees so far satisfy their tea-garden coolies " and their managers and assistants just as well at " 1*s.* 3*d.* as at 1*s.* 6*d.*, and that, therefore, they rather " favour a low rupee. They admit, frankly enough, " that it may be a little hard on the coolie and on the " European staff, to give them the same number of " coins when these coins have declined in value; and " they also admit that the time will come, if the " rupee goes on depreciating, when the cost of " labour and management will be bound to rise. " But, in the meantime, they say it has not done so. " Now, gentlemen, a mistake is made when it is " thought that as good a sterling price is got for tea " with exchange at 1*s.* 3*d.* as with exchange at 1*s.* 6*d.* " The course of prices proves that such is not the " case." He gives in the earlier portion of his speech the Indian prices of tea, to show that they have fallen between 1873 and 1892.

372. (*Chairman.*) But one suggestion made is this, is it not, that the sterling prices do fall, provided that the same number of rupees is obtained in India; that, if they were competing with a silver-using country, they would be able to take a lower sterling price producing the same number of rupees, while India with a fixed exchange would not be able to do so; that is the argument, is it not?—That is the argument.

373. Is there any answer to that; that does not seem to be met by the paragraph that you have just read?—I think the opening passage of the paragraph supplied the answer. I will just conclude the paragraph I was reading. " But, even if the sterling price did not " decline, and exchange went down to a shilling, and " coolies' wages did not rise, and the European staff " could be got to work for the same rupee salaries, " what about the value of tea property?—Suppose a " man brings out 10,000*l.* at 1*s.* 6*d.* and puts it into " a tea-garden; that tea-garden costs him a lakh and " 30,000 rupees. He goes merrily on, helping the " rupee in its downward course, because 'it's good for " tea,' and the rupee goes down to a shilling. By " and bye the time comes when he has had enough of " India, and he wants to gather his assets under his " own eye in England, and he sells his garden. Now, " suppose he gets his own money back again, a lakh " and 30,000 rupees, when he comes to transfer that " money to England, instead of his old original 10,000*l.*, " he finds he is the happy possessor of only 6,500*l.* Now, " gentlemen, this is what has happened in the past, as " numerous indigo and tea planters can tell you, and, " the sooner the remedy is established, the better it " will be for everybody." That is the position.

374. That bears upon the point of the check to the investment of money in India, so long as the rupee is of uncertain value?—Yes. He gives in a table here the prices from 1873 to 1892—the rupee prices. He is meeting the arguments of the local press in India.

——	Tea (Good Souchong).	Indigo (Good).
1873 - -	100	100
1880 - - -	82	112
1885 - -	55	103
1890 - - -	50	86
1892 - -	41	74

The 100 in 1873 is the starting point. These are the rupee prices. He deals with indigo in the same way; but I may say that indigo is a very fluctuating article. The crop is very variable; the English price has recently advanced very greatly, and therefore these prices here are more fluctuating. He starts at 100 in 1873; in 1880 it goes to 112; in 1885 it goes to 103; in 1890 it is down to 86; and in 1892 it is only 74. These are the percentages. Then, I think, the point you raised was as to sterling values?

375. Yes?—That is to say, whether the sterling price had not fallen.

376. (*Sir Reginald Welby.*) Are those the prices of tea in the Indian tea market?—Yes; they have public sales in Calcutta of Indian tea. I cannot assist the Committee with sterling quotations, but everyone knows that the price of tea has fallen enormously in the home markets here.

377. (*Chairman.*) Did the sterling price of tea go up much in 1890-91, the time when the rupee was so high?—No, there was very little movement, so far as I am aware; it is very largely supplied of course from different countries,—India, and now Ceylon is supplying tea very largely, in competition with China. There was no movement—no important movement in the English market here. That exchange advance was only temporary.

378. (*Sir Thomas Farrer.*) Did it affect the relations between India and China?—That advance in exchange?

379. The rise in exchange?—No, exchanges now as between India and China are on the same platform—that is the point that is raised with reference to the introduction of a gold standard into India, while leaving China out.

380. Yes, but did the rise operate in any way as between India and China in the competition between them?—I am not aware that it did, sir.

381. For the European market?—I am not aware that it did.

382. (*Chairman.*) During the last year, when the rupee has been lower than ever, can you tell us whether the sterling price of tea has been lower than ever?—We are not practically interested in tea, but I might give my own personal experience. I bought a chest of tea the other day myself, and I bought it at a lower price than I ever bought tea before. You can draw your own conclusions from that.

383. (*Mr. Currie.*) Was that Indian tea?—No, it was Ceylon tea.

384. (*Chairman.*) Now do you think it would lead to a great disturbance of trade, if such a scheme were adopted as has been suggested?—The introduction of a gold standard?

385. Yes?—No, I do not think so; I look forward with a very great degree of comfort to the introduction of such a scheme, as affording, so far as I can judge, a surer basis upon which to conduct business, and as a means of enabling people who are engaged in the

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trade of the country to carry on their business with more safety.

386. Do you think it would be practicable to fix the ratio in the way suggested, and to maintain the currency with that ratio?—So far as I can judge, it would, although it is to some extent an experiment; but, if it were a matter concerning my own business, I should do it.

387. (*Mr. Currie.*) You would take the risk?—Yes, certainly.

388. (*Sir Reginald Welby.*) The tea-planters do not take that view, do they?—Some of them do not; they are apprehensive that a higher rate of exchange would not result in a higher sterling price, and they are afraid of China.

389. (*Chairman.*) They entertain the fear apparently that, if India had a fixed exchange, and if the exchange with China, owing to the continuous fall of silver, continued to fall, China would be better able to compete with them—would be able to take lower sterling prices than they are able to take?—That is their contention.

390. And, therefore, would get back a portion of their trade from India?—Yes.

391. (*Mr. Currie.*) Should you be influenced between India and China tea, by the fact that the mints had been closed, or should you still take Indian tea because you think it a preferable tea?—I should prefer Ceylon tea, on its merits, to what I call Assam tea, or China tea.

392. (*Chairman.*) Then you think that the change that has taken place in the tea trade is in part a question of the taste?—To a certain extent it is.

393. As between India proper and Ceylon, has the development of Ceylon been proportionately greater than India?—I should say it has, but this was brought about by an altogether different set of circumstances. Tea was tried as a substitute for coffee, which began to fail owing to the exhaustion of the soil; and, as it succeeded wonderfully well, production increased with great rapidity in Ceylon, the ground being cultivated and already prepared for its reception.

394. (*Mr. Courtney.*) Ceylon tea is much more recent than Indian tea?—Yes, much more recent than Indian tea.

395. And it has grown upon Indian tea very rapidly?—Yes.

396. (*Chairman.*) You have given us your view as to the mischief done by fluctuations in exchange; supposing the gold standard adopted, and a ratio fixed in the manner suggested by the Currency Association, the fluctuations of exchange would continue as between India and silver-using countries, such as China?—If China and the Straits adhere to silver, and if they do not take any other steps to keep their exchanges level with those of India, that would unquestionably have a certain effect upon the trade now being carried on between those countries; but I do not think that in the long run it would very prejudicially affect that trade.

397. Have you considered at all what would be the probable effect of such a scheme upon the cotton trade of India? I mean the manufacturing trade?—You mean the mills?

398. Yes?—The Bombay mill industry?

399. Yes?—That would be affected in much the same way, I think, as opium or tea. Unquestionably. I think that the cotton mills, the yarn-makers, have gained something by the fall in exchange; but a very favourite argument of theirs has been that it is more owing to their geographical position that they have developed their trade.

400. That has been a point of some controversy?—That has been an argument of their own.

401. Whether their development has resulted from the fall of exchange, or from natural causes, namely, the proximity of the cotton, the development of the cotton growth, and so on?—Lancashire has argued that the mill industry in India has been fostered and developed by falling exchange; but the Indian millowner enjoys many advantages apart from any derived from a low exchange. He is much nearer China, and his cotton and yarn pay less freight. He has cheaper labour, and pays his way with depreciated rupees instead of with appreciated gold.

402. I believe there was a committee of the Manchester Chamber of Commerce to try and arrive at a conclusion as to what was their comparative position, and the result was that the committee were almost equally divided on the subject?—Yes.

403. Now, what effect do you suppose the fixing of a rupee ratio to gold, in the manner suggested, would have upon cotton exports from this country to India, if any?—I think that a stable rate would be an enormous advantage to Lancashire, and a benefit in other respects. I think the position of Lancashire as regards this question of exchange has been the most unfortunate of all. From my own experience, I should say that Lancashire has suffered more than any other class connected with the Indian trade, and my reason for saying so is this: When exchange falls, the natural tendency is for prices in India to rise, but the natives, when buying Manchester goods, resist paying that enhanced price; they want to buy their goods as cheaply as possible, and they send orders home at very low limits, and the Manchester manufacturer holds out as long as he can; but, having his machinery, his mill, and his workpeople, he is the first to give way. A good many years ago, in conjunction with an intelligent native merchant in Bombay, I drew up a statement—I have not got it—as I was curious to see who had been hardest hit by falling exchange. I put down in one column the price of standard American cotton; then in another column the English price of a standard cloth, a cloth well known all over India everywhere; then in another column I put down the rupee price, the average of each year; and in the last column I put down the average rate of exchange; and the conclusion I arrived at was that, in the alteration of prices, the Manchester man—the Lancashire man—had got hardest hit; that is, taking the price of cotton as compared with the sterling price he was getting for his goods, the margin had narrowed upon him more than the Indian price had changed. The conclusion I arrived at was that the buyer of the goods can stand and wait, he can bide his time, but the Lancashire man must sell, he cannot wait; he must either shut his mill up, or take such prices as are offered. He may hold out for a time, but he must give way in the end.

404. You think a stable exchange would be better?—Yes. When an advance or a fall takes place in exchange, the rupee price falls or rises.

405. (*Sir Thomas Farrer.*) The rupee price did give way in 1890?—It did give way mos seriously.

406. The year before last?—Yes. When rupee prices fluctuate, Lancashire is the first to feel the effect of an adverse fluctuation, and the last to derive benefit from a favourable movement.

407. There is a constant tendency in favour of the buyer?—I think so, because the consumer has got no load to carry; he can wait.

408. (*Mr. Currie.*) Did you not make use of the expression that China was a country with a silver standard?—No, I think not, sir.

409. It is hardly correct, is it?—No; it is not quite correct.

410. There is no standard in China, is there?—There is no standard in China.

411. There is no coinage in China?—There is no coinage in China.

412. The whole currency is Mexican dollars, as far as foreigners are concerned?—Not altogether. In Northern China the silver shoe is also the medium of business transactions.

413. Is it recognised by the government; is it stamped?—It is stamped.

414. By the government?—I believe so; at all events, I have seen a wax model of the China shoe, and on it there are Chinese stamps in the wax.

415. (*Sir Reginald Welby.*) Is not that done by Chinese?—I am not very familiar with the China

trade; I was only the other day asking a friend about the China currency, and he said Chinese shoes were almost exclusively used in the north of China, and the Mexican dollar in the south—the Maria Theresa dollar.

416. (*Chairman.*) Where are the Chinese shoes made?—In China, in the shape of a Chinese shoe.

417. (*Mr. Currie.*) Mexican dollars form the greater part of the Chinese currency?—Exclusively almost in Southern China.

418. (*Sir Thomas Farrer.*) Has the importation of silver into China gone on since silver has fallen?—You mean silver bullion?

419. Yes, to be coined, or silver Mexican dollars?—That I cannot speak to; I have not watched the shipments to China.

420. (*Chairman.*) Did you see the suggestion made the other day that a mintage charge of 10 per cent. should be imposed upon silver coinage?—I saw that, yes.

421. What do you think would be the effect of that?—It would create a margin of 10 per cent. as between silver and council drafts; it would depress silver, I think, and give council drafts the benefit to the extent of 10 per cent. I think that it would hardly have any other effect than that the exchange banks, in laying down money in India, would take council drafts, unless they could get silver at 10 per cent. less. As regards stability, I do not see how it would affect that question.

422. (*Mr. Currie.*) But if silver fell?—It would pull down council drafts too.

423. And would not the effect of putting a duty on silver be to some extent to lessen the shipment of silver to India; is not the effect of putting on duties generally to check the importation?—Yes; that is the general effect.

424. (*Chairman.*) Of course, if you put on a very large mintage rate—take an extreme case—that would be practically interfering with the free coinage of silver?—Yes, the question has been considered from another point of view, I think. Sir John Lubbock said that he thought this was a question which had not been considered previously; but it has been dealt with from the point of view of putting on an import duty instead of a coinage charge. Many people have thought that the import duty would be better, inasmuch as it would catch silver not intended for the mint, that is to say, silver sent out to India for the purpose of being transferred to native states; but that is dealt with by Mr. Mackay. His remark upon that point is: "As to a "seignorage on a sliding scale being levied by "Government on the coinage of silver, such an "arrangement would, so far as I am able to under-"stand the proposal, be unworkable. With the daily "fluctuations in the value of silver, the seignorage "would have to be altered daily to establish the "rupee at a fixed sterling value; and the complaints "to which such a shifty arrangement would give "rise would prevent any Government from attempt-"ing to undertake it." He deals with the question principally from the stability point of view.

425. (*Mr. Courtney.*) A sliding scale?—A sliding scale.

426. Did not Colonel Smith recommend a seignorage when he was Mint Master?—In Bombay?

427. In Calcutta?—I am not aware. I might, perhaps, be permitted to say, with reference to the gold standard, that I think and feel that the natives are not unfamiliar with gold. Previous to the British occupation in India, gold was the coin of the country—the gold mohur. You find them even now in very great varieties, of course, as curiosities; that is to say, you buy them from goldsmiths. They were coined by the Mahommedan Emperors and others; and it is a very singular thing, but such is the case, that even now the gold mohur is used in certain senses; that is to say, if a man wishes to back his opinion on any particular subject, he will bet a gold mohur, 15 rupees.

428. (*Lieut.-General Strachey.*) A doctor's fee is a gold mohur?—A doctor's fee, too, is a gold mohur.

429. (*Mr. Currie.*) What becomes of those ingots which are stamped by the banks, which go out from England so largely; do you think they are melted down?—They are melted down to a large extent, and held by native princes and goldsmiths to a very large extent.

430. Are they held in the shape in which they go out—as ingots?—Yes

431. They do form a sort of currency?—Yes; they are saleable at a moment's notice, at so much a tola.

432. (*Chairman.*) Can you form any idea as to the probability of gold, which is now hoarded, coming to the mint, supposing the gold standard were established in India, and there were some gold coinage?—I think there would be more probability of gold coming out. At present they can only hoard it; they cannot get it coined. If we had a gold currency, I think that, instead of keeping gold, if they did wish to hoard it, in those little bars, the tendency would be to keep it in coin, and make a freer use of it. At the present moment they can only deal with it by taking it to native goldsmiths. I think the tendency to hoard in India is decidedly on the wane as compared with what it was, because the country is so very much safer now than it was.

433. Then you think that it is possible, out of the large amount of gold which it is supposed is hoarded in India, that some might come to the mints if there was a gold standard?—I think so; that is my own opinion, there is an expression of opinion upon that subject here also which I might read; there is a paragraph here upon the subject, but I understand you will have an opportunity of examining Mr. Mackay himself presently. Perhaps it is rather unfair to quote from his remarks so largely.

434. (*Mr. Currie.*) May I ask you, Mr. Thorburn, when the council drafts were exhausted, when the Secretary of State had sold all the council drafts that he wanted to sell, what would the banks probably remit, if it were necessary for them to get rupees in India?—I should think gold.

435. And that would be a source probably from which gold would go to India?—I think so; you see more than 5½ crores went in 1890-91.

436. But is there any other possible remittance which the banks could make? they could not send Manchester goods; and, if the council bills were exhausted, what could they send?—There are only three ways now in which the banks can lay down funds in India; first, by buying merchants' bills against goods going out from England; the next way is to buy council drafts; and the third way is to send out silver or gold.

437. And that silver, if it were no longer money in India, would be replaced by——?—By gold; yes, I think so.

438. (*Chairman.*) Now do you think that the result of adopting a gold standard would be to divert to India a considerable quantity of gold which is now used for monetary purposes elsewhere in the world?—I do not think so; I do not think that the idea or the intention is to substitute gold for silver, but rather to use it as a standard upon which to base the value of our silver currency.

439. You are aware that in some quarters apprehension has been expressed as to the effect which the suggested change might have upon financial transactions generally?—Yes.

440. Owing to a run of gold to India?—Yes.

441. What do you think?—I do not look upon that very seriously; they have got a very considerable production of gold in India itself; it has all got to come home now; but, if we had a gold standard in India, we would keep it there.

442. (*Sir Reginald Welby.*) But, if the value of the rupee in India is raised, is it not probable that the tendency would be for an increased export of goods from this country, and a decreased export of goods from India, therefore, there would not be that demand for an increase?—I am not apprehensive of that. I think not.

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On the other hand, I think that British capital with stable exchanges would flow out to India much more rapidly than it does now, and the result would be a large extension of railways. We want railways very badly in India; we have now got 17,000 miles, as compared with 5,000 or 6,000 not many years ago. America has, I believe, 100,000 miles of railway, and she is one of our most active competitors. India needs more cheap capital to extend her communications, and to develope reproductive public works. An increase of exports and an increased demand for goods would follow.

443. (*Chairman.*) I understand you would deprecate, as at present advised, any ratio very considerably in excess of the current exchange?—Yes, the favourite ratio, the ratio which has been dealt with as a sort of basis, has been 1*s.* 6*d.* I should think that that is a reasonable ratio.

444. (*Mr. Currie.*) If you were all at once to proclaim 1*s.* 6*d.*, would not that affect Indian produce very seriously?—To a certain extent it would.

445. To how large an extent?—It meant 15 per cent., and now it means about 20 per cent.

446. Is it not rather a serious matter to a man who has goods in Calcutta, to alter the price of goods 20 per cent.? Would not that be rather an arbitrary act on the part of the State?—I quite agree with you that it would be rather an arbitrary act, and for that very reason I would be perfectly prepared to accept a lower rate than 1*s.* 6*d.*, or give notice of the change, which would raise the rate gradually.

447. Then, on the other hand, if you fix a lower rate, might not the public creditor say, "You borrowed "my rupees when the exchange was 2*s.*; you are "now proposing to consolidate my debt by an "arbitrary act at a very much lower rate. To what-"ever price silver may hereafter rise, I am not to "get more than 1*s.* 4*d.*" Is not that rather hard upon the man who lent his money to the Government when the rupee was 2*s.*, if you, by an act of the State, say, "You are not to get more than 1*s.* 4*d.*?" Would not that be rather an arbitrary act? By the public creditor, I mean the persons who have lent 100 crores of rupees to the Government of India?—In gold?

448. No, I am speaking of the rupee debt. One hundred crores of rupees exist at this moment in four per cent. paper. A great part of that debt must have been lent at a very much higher rate of exchange than the present. Would that not be rather an arbitrary act of the Government, to say to the public creditor; "We fix you at 1*s.* 4*d.*" or whatever it may be? Might he not say, "I lent the money at a much "higher rate of exchange; at any rate I have the "right to whatever price silver might rise to." Would not that be something like confiscation?—In one sense, perhaps but I do not see what relation the Rupee Loans have to exchange. The loans were subscribed for in rupees, and are repayable in rupees. Supposing silver goes to 1*s.*, then what?

449. We are supposing the Government are going to fix a rate; is it not a dangerous thing to do?—The present position is that four per cents. in India are selling at 106½. I have no recollection of any four per cent. rupee loan being subscribed at any such price.

450. Do you not think that it would be rather a bold act for any Government or any Secretary of State, out of his own mind and internal consciousness, to fix the rate?—No. It is calculated to save the public creditor, who may voluntarily have transferred his rupee debt to the home register, from worse befalling him.

451. But he might not view it in that light?—As a holder of Government paper, I would be prepared to accept it.

452. (*Mr. Courtney.*) You might give an option to the rupee paper holder to take his present risk or not?—Yes.

453–6. Do you propose that the change of standard, if adopted, should be extended to Ceylon?—Yes; the currency of Ceylon is on all fours with that of India.

457. It is under a different Government, you are aware?—It is under a different Government. The currency is the same.

458. You think it is essential that the change should be made there, as well as in India?—Ceylon, I feel sure, would approve of the change. I would propose to extend it to Ceylon.

459. If it were not made for Ceylon, would you suppose that the Ceylon tea-planters would have a pull over the Indian tea-planters?—It is the China question over again, from a different point of view.

460. And there is no lekin duty there to assist the tea-planter of India?—No.

461. So that you think it is essential that the same step should be taken in Ceylon as in India?—Yes, perfectly.

The witness withdrew.

Mr. C. Gairdner.

MR. CHARLES GAIRDNER called in and examined.

462. (*Chairman.*) You are manager of the Union Bank of Scotland?—Yes, general manager.

463. You have given considerable attention to the subject of the fluctuation in the relations of gold and silver?—Yes.

464. And to the questions which have arisen out of those fluctuations?—Yes, from time to time I have done so.

465. Have you seen the proposals of the Indian Currency Association, with reference to the existing evils and the suggested remedy of a gold standard in India?—I have seen a letter addressed by Mr. Mackay to the Government of India, and the petition to the House of Commons. Mr. Mackay's letter is addressed, I see, to the Secretary to the Government of India, Finance and Commerce Department, dated 24th June 1892.

466. And the petition?—And the petition to the House of Commons.

467. Then you are aware that the remedy suggested for the alleged evils arising from the fluctuations of exchange is the adoption of the gold standard by India?—I suppose practically it is so. They put three different propositions here in Mr. Mackay's letter; but they do not seem to stand upon the first two. The first is practically bi-metallism, I suppose?

468. Perhaps I should have said that the proposal is that, if bi-metallism is not established, there should be a gold standard for India?—Yes; well then, they say, failing bi-metallism, and failing an arrangement between the United States and India for the free coinage of silver in both countries, then the adoption of a gold standard for India is the third.

469. Now I do not know if you have had any experience which would enable you to form an opinion upon the extent of the evil which they suggest is the ground for the change of standard?—Well, I think that is a very difficult question. My own opinion is that it is considerably exaggerated or overstated in the petition. In clauses 14 and 15, I think it is, where they say the loss to the Government in paying its sterling obligations in England may be reckoned at 800,000,000 of rupees or 80,000,000*l.* sterling at par of exchange. I cannot think that this is the accurate way of stating it. I may mention that I looked very carefully into this matter a few years ago when the Royal Commission upon Gold and Silver reported, and examined that report particularly with reference to the facts brought out in reference to India; and I came to the conclusion that considerable abatement must be made from the figures which were then made use of, and also that there are considerable

counterbalancing facts which should be taken into account. It seemed to me that, whereas the total amount of sterling money requiring to be laid down annually in England at that time was about 15,000,000*l.* sterling, there was more than one-third of that sum which, at any rate, must be dealt with separately. There is 5,600,000*l.* that arises from the Railway Revenue Account. It seemed to me, as regards that, that it was not quite a question of taxation; that the railways were at their initial stage, many of them, and they were bearing more heavily upon the revenue, or, at least, upon the income of the Government at that time than they would do by and by; that fact was admitted by some of the officials, and, anyhow, that Railway Revenue Account is a thing quite apart, as it seemed to me, from the rest of the question, and, looking to the great prosperity that exists in India, it was not unlikely that it would be very largely diminished, and so reduce the deficiency upon the Exchange Account.

470. You would not dispute, I suppose, that the great fluctuations in exchange during the course of any year embarrassed the Indian financial arrangements?—Oh, no, I do not doubt that at all; but I am looking to the 15,000,000*l.* a year requiring to be laid down in England, on which a loss or deficiency of 5,000,000*l.* or thereabouts is put down to exchange account; I think, if you examine that, that you will find that very different characters attach to the items which compose it. To begin with there is one called stores—1,320,000*l.*—I do not think that has any business there at all. The stores, I suppose, are the supplies bought from year to year by the Government, and the exchange is just part of the price. It is quite of a different character, I think, from the other items, such as the administration expenses, the interest, and so on.

471. (*Lieut.-General Strachey.*) Does the statement that the Government loses this amount, mean anything in reality more than that the charge upon the Government of India, in consequence of the fall of exchange, is increased by this amount? That I apprehend to be so. Everybody connected with the Government of India has left off talking of the loss by the exchange; they talk of the effect of the exchange in increasing the charge by so much?—That is so, no doubt, but, when you come to the question of remedy, it is important to see how far these are of a permanent or a transitory nature. Now the railway charges appear to me to be to a large extent transitory in their character, or likely to be so; and I think also that, in connection with the management of the debt, there is no allowance made, as far as I could see, in the annual financial statements of the Indian Government (which form the material that I had to work upon), for the fact that the loans that have been contracted at home in the last 10 or 12 years have yielded in the outward remittances a profit on exchange, which is, to a large extent, a set-off against the deficit of exchange in the home remittances. When you borrow money in this country and send it out to India, you have an advantage in remitting at 1*s.* 4*d.* or 1*s.* 6*d.* for the rupee, which is a set-off to the loss which you experience when you have to bring money home from India to meet your annual interest; and I think that is a fair set-off, and, in short, that there are counterbalancing facts which ought to be taken into account when you speak of 5,000,000*l.* a year of loss under the head of exchange. My views on that matter were printed four years ago, and I could put in my paper, if it were thought of sufficient importance, in which the facts are stated exactly according to the figures of that time. But there is no doubt that there is a very large deficiency in exchange, and that forms a very difficult incident for the Finance Minister of India, not only because of its amount, but because of its uncertainty.

472. (*Chairman.*) Do you at all question the statement that the constant fluctuations have a tendency to harass and embarrass trade?—Well, I think that is very much exaggerated.

473. You are not speaking now of the Government?—No, but the effect upon trade. I think it is very much exaggerated, and I think there are great differences of opinion. Many merchants renounce that idea altogether. There are some who complain very loudly as we know, but I think that requires to be taken *cum grano*.

474. Do you mean merchants trading with India?—Merchants trading with India. I think you will find many merchants who make very light of that; they regard it as an incident—a troublesome incident, no doubt—but it is an incident such as we have constantly cropping up in much more formidable places. At this moment, with South America, with Russia, the variations in exchange are the most ordinary incidents, and, at the same time, sufficiently serious to require great attention. We had in America during the great Civil War, both in the Northern and Southern States, very troublesome and difficult questions of the kind, but not questions calling for Imperial interference; and I think that is the right view to take of this question of exchange as bearing on the trade of India, that it is not one calling for Imperial interference, and that, perhaps, more harm than good would be done by interfering on that ground.

475. In your view, is it not a serious objection to a standard that it should not be stable, but perpetually fluctuating in relation to the standard commonly in use in the countries with which the trade is done?—Certainly it is a troublesome incident; I do not think it is more than that.

476. (*Mr. Courtney.*) In the cases to which you have referred—United States, Chili, and Russia—this troublesome incident is beyond our power; but, supposing in the case of India it is within our power to deal with, would not it be worth our while to deal with it?—I doubt how far it is within your power to deal with it. I think that the dealing that has been,—that we have seen anything of up till now, has done a great deal of harm; I think that the action of the United States in the last two or three years has done immense harm.

477. (*Chairman.*) That is not a dealing with it, that is leaving it alone?—No; the idea, as I understand it, which the United States were acting upon was that it was desirable to restore, if possible, the old relations of silver and gold, and that one way of doing that was to open up new modes of using silver; and so they created an artificial demand for silver in America which has stimulated the production of the mines, piled up an immense quantity of silver which is not used, and very materially added, I think, to the difficulties of India, both as regards the Government of India and the traders of India. That has been one of the great causes, I think, of fluctuation.

478. But, then, that of course is not a cause resulting from any action of the Government of the country; but it is an evil which may at any time be brought about by the action of other countries?—True.

479. It is the result of our letting things alone, is it not?—No; I do not think it is the result of our letting things alone; on the contrary, I think it is a warning against artificial interference from any quarter without the very greatest caution. I think that the same results will arise from any interference on the part of the Home Government or the Indian Government, which is not effective.

480. Is it certain that the action of the American Government since 1890 has produced, or been one of the causes producing, the recent fall in the rupee, by stimulating production?—I think it has done so, and I think it has added very materially to the difficulties that have now to be dealt with.

481. Because, before that policy was adopted by the United States, the rupee had fallen and been falling, with certain checks, seriously and continuously; what proof is there that it would not have come down to the point at which it has now arrived, even if the United States had not adopted that policy in 1890?—Well, I think you have got this fact, that for two years

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and a half nearly the American Government have been under a law passed for the purpose, buying month by month a quantity of silver equal to the half, or so, of the whole production of the mines in the world. That, I think, must have exercised a powerful influence upon the silver market. I think it has induced a larger production of silver than would otherwise have been done, and, as the silver was not wanted, but lies piled up in stores in the United States, I think that that immense store, amounting to, I think, about 20,000,000*l.* sterling value of silver, weighs upon the market now.

482. But, when you speak of that store, the greater part of that is in circulation, is it not?—No, it is not so. To some extent it is represented by paper in circulation; but the silver was not in the least required. The paper in circulation, the United States Government until now have always professed, is as good as gold, and they have not departed from the gold standard; but, while they adhere to the principle of a gold standard, they have gone on piling up quantities of silver, which, if the paper is to be paid in gold, is of no earthly use. It might as well be pig-iron.

483. But the paper is not to be paid in gold is it?—Yes.

484. It is to be paid in silver?—No.

485. The silver certificates?—The silver certificates are legal tender alongside of the National Bank currency, and in that way are supported at their gold value; but they are regarded in the United States as being the equivalent of gold, and they are passed from hand to hand as being equal to gold, and not as being merely of the value of the silver which represents them.

486. Well, be it so; but there are an amount which would represent 65,000,000*l.* in converting the dollars into pounds sterling; there are about 65,000,000*l.* sterling of silver certificates in circulation, are there not?—Well, I have not the figures; there is a very large sum.

487. Well, take those figures. The silver in the United States' vaults, which those certificates represent, is as much in circulation, is it not, as if the dollars themselves were in circulation?—No, I think not.

488. Why?—Because this paper is to be paid in gold, which is what the United States treasurer has specially announced,—that he will see to its being paid in gold.*

489. When was that announcement made?—It was done, I think, within the last 12 months.

490. Well; but, before that, the 65,000,000*l.* had got into circulation?—Yes, but the silver will not help him to pay the gold.

491. I am not talking about being helped to pay the gold. What I am talking about is their being in circulation; are you aware that in the Eastern States of America the gold is only in circulation, in the same sense as the silver is in circulation, by means of certificates?—Yes.

492. There are gold certificates as well as silver certificates?—Yes.

493. The gold does not pass from hand to hand in the shape of four-dollar pieces?—No.

494. But it is represented by certificates?—Yes.

495. Well, should you say that that gold is in circulation?—Well, it is practically in circulation, because it is held there to meet the paper.

496. Well, why is the silver not in circulation in precisely the same sense?—Because the silver paper is to be paid in gold, and the silver will not pay it in gold.

497. You say the silver paper is to be paid in gold; that, you say, is some recent statement. I am not aware when that was made, but the silver certificates were in circulation long before any such statement had been made?—Well, the paper is in circulation.

498. Are you aware that it is the habit of the people in the Eastern States to use paper, and not to use metal at all—whether gold or silver?—Yes.

499. Well, does it matter whether there are in circulation silver or gold certificates, the silver or gold on which they are based being in the United States treasury, or, if there were just as many silver and gold pieces in circulation, would it make any difference?—I think it is most material that the commodity at the back of the paper should be gold, and not silver.

500. I am not talking of what should be, I am talking of what is?—It is silver. But I say it might just as well be any other commodity. The effect of it is, as I think, to pile up a quantity of silver which serves no useful purpose; no better purpose than pig-iron would do if the paper is to be paid in gold.

501. Well, but, supposing the United States treasurer had said he would pay in gold or exchange for gold the silver that was in circulation; that would have precisely the same effect, would it not?—I think not. I think that, if you were going to pay in gold, you must have the gold with which to meet the paper.

502. I am not talking about whether it is practicable or can be done, but the offer to pay gold for silver dollars would be precisely the same as the offer to pay gold for silver certificates, would it not?—Well, I do not quite follow the question.

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* Note by Mr. Gairdner.—I must ask leave to make an explanation and rectification of this reply.

1. By the terms of the Silver Act of 1890, it is provided, Section 2, "That the Treasury notes issued in accordance with "the provisions of this Act shall be redeemable on demand in "coin at the Treasury of the United States, and when so "redeemed may be re-issued; but no greater or less amount "of such notes shall be outstanding at any time than the "cost of the silver bullion, and the standard silver dollars "coined therefrom then held in the Treasury purchased by "such notes; and such Treasury notes shall be a legal tender "in payment of all debts, public and private, except where "otherwise expressly stipulated in the contract, and shall be "receivable for customs, taxes, and all public dues, and when "so received may be re-issued; and such notes when held by "any national banking association may be counted as a part of "its lawful reserve. That, upon demand of the holder of any of "the Treasury notes herein provided for, the Secretary of the "Treasury shall, under such regulations as he may prescribe, "redeem such notes in gold or silver coin at his discretion, "*it being the established policy of the United States to "maintain the two metals on a parity with each other, upon "the present legal ratio or such ratio as may be provided by "law.*"

2. The declaration of the national policy to uphold the parity of value of the gold, silver, and paper dollars was thus expressed by President Harrison on 18th August 1891 (*see* London Times of 20th August 1891):—

"The law of commerce may be selfishness, but the law of statesmanship should be broader and more liberal. I say that every dollar, whether in paper or coin, issued and stamped by the Government, should always, and everywhere, be as good as any other dollar."

3. Mr. Secretary of the Treasury Foster, replying to questions from the Hayes Republican Club, Mass., stated (*see* Times of 20th October, 1891):—

"Treasury notes differ from silver certificates, in that they are redeemable in either gold or silver coin at the discretion of the Secretary of the Treasury, with a provision in the law, *which is a virtual promise*, that the notes will always be redeemed in gold or its exact equivalent in silver. The certificates are promises to pay a silver dollar which has been deposited in the Treasury at the time the certificates were issued, and they are receivable for Government dues. Treasury notes are redeemed in gold when they are so presented for redemption at the Treasury or any Assistant Treasury."

4. It would thus appear that I was in error in stating that the special announcement made by the Secretary of the Treasury related to silver certificates as well as to Treasury notes. It does not do so. The privileges of the silver certificates rest on the Acts of Congress, in which, besides declaring them legal tender for Government dues, it is recognised that the maintenance of the two metals on a parity with each other upon the present *ratio is the established* policy of the United States. This being so, I adhere to the opinion expressed by me in reply to question 477, *et infra*, on the uselessness of adding to the already excessive stocks of silver, and the injury to the silver market, thus caused by the policy of the United States.

503. The point of my question is this: Supposing you had 65,000,000*l.* of silver dollars in circulation, and the United States treasurer was prepared to pay gold for any of those dollars, should you say that the fact that he announced that he was prepared to exchange them for gold would prevent their being in circulation?—No, I do not think it would.

504. Well, why does it prevent the silver certificates, which represent so much silver held against them, from being in circulation?—It does not prevent them from being in circulation, but the point which I wish to make is, that the silver which is being piled up in the United States is not available to meet the paper in payment in gold, and the notes might just as well have been issued without that silver as with it. So that you have got a great addition to the silver stores of the world, which is not required, which hangs upon the market, and tends to depress the value of silver. I think that the legislation of the United States 2½ years ago has been injurious to the price of silver in the open market.

505. Prior to that state of things created two years ago, they were already purchasing half the amount which they purchased at that date, were they not?—To the extent of about half, I think.

506. Well, do you think that that had the same depressing effect?—I think so, always provided that the United States intend to uphold gold as their basis, which I understand is their intention; they have never announced any opposite intention.

507. Do you suppose then that, if, for the last 16 years, the United States had not purchased that silver, the price of silver would have been higher than it has been during those years?—Well, it is difficult to answer that question. I think there would not have been so much silver in existence as there is now, for I think they have stimulated the production of silver. But, if the United States are going to adhere to a gold basis, then the silver they hold in excess of the wants for small money is of no more use to them than it would be to us if we had 50,000,000*l.* or 100,000,000*l.* of silver lying in the Bank of England. It would be of no avail to us as long as we stand on the gold basis; and in the United States, if they intend to adhere to the gold basis, I think they have got a most needless amount of silver stored up there, which is a material fact bearing on the price of silver in India.

507*a*. But should you say that it was the same thing to issue an unlimited amount of notes without any metal behind, as to issue them with silver behind?—Well, of course, they are not given away for nothing; there must be something behind. In the Bank of England they are required by law to have a certain amount of gold; but, in so far as they are not covered by gold they are covered by something else,—mostly Government securities. In the United States, if they had not fixed upon silver as the commodity which was to cover that branch of their paper circulation, there would have been something else no doubt—perhaps Government securities also.

508. That silver certificate paper is not exactly the same as paper issued without anything at its back?—Oh, no. I am speaking of that now as having been the means of adding to the world's stores of silver in a way which, I think, has been injurious to the price of the rupee.

509. In your view, it has stimulated production; it must have, must it not, because it has kept the price higher than it would otherwise have been?—It has stimulated production, because it has stimulated the demand to a very large extent. If it has absorbed half the production of the world, I should say it must have had an influence upon the price—first, by raising the price; secondly, by stimulating production of the mines, which would tend to depress the price.

510. But, when you speak of that, this half of the product of the world has been quite a recent thing. There has not been much time for it to stimulate production?—Well, it has been going on for about two years and a half, since August 1890.

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511. About two years?—Yes.

512. Then before that—I am talking of the time before that. I am not quite sure that I understand the view that you are suggesting. Take the time when they were buying these 2,000,000 dollars a month, instead of the 4,500,000 which they buy now; do you suggest that that lowered the price of silver during these years?—I think the ultimate result has been to lower it. I think it created a sudden rise in silver at the time, because people thought it would have the effect of sustaining the market price.

513. I am not talking of this recent change; I am talking of the previous state of things, from 1874 down to 1890—those 16 years when the Government bought a large amount; the change was to more than double the amount in 1890. Up to that time they had been buying less than half the amount they buy now. Well, do you think that the effect of this purchase from 1874 onwards, under the Bland Act, was to lower the price of silver during those years?—Well, I think the ultimate effect must have been so, because I cannot see that the silver was wanted. I think that they were led to make these purchases by a party in their Congress, who managed to carry the Legislature to the resolution of buying silver, practically to support the silver market, as I think.

514. Ordinarily speaking, if you bring in an extra purchaser of a large amount, the tendency will be to raise the price, will it not?—No doubt; but there is no great confidence, I think, that the policy will be ultimately maintained. I think there is a very considerable apprehension at this moment that there may be a complete reversal of this silver policy before very long, and it is that apprehension which, I think, has led to the fall of prices, and there is no saying to what extent the fall may take place because of the disordered state in which it has landed the silver market.

515. Could you give me a reference to the date when you say this declaration was made about paying the silver certificates in gold?—I have no doubt I could get you that. It was a declaration made, I think, by the treasurer of the United States. I will take a note of it.

516. But there is no law which would entitle people to receive it in gold?—Well, no, but there was an uneasiness in the States as to what precisely was the position of these silver certificates, and the question was put, I think, to the treasurer, and he gave an explicit answer that he considered it his duty to redeem that paper in gold. I think that was the purport of the thing. (*See* note to Question 488.)

517. (*Mr. Currie.*) I think both the candidates for the Presidency have declared, as a basis of their policy, that every dollar in the United States is to be equal to every other dollar. I think that will be found on the platform of Harrison and Cleveland.

518. (*Sir Thomas Farrer.*) Has the Secretary of the Treasury any power to bind the people of the United States?—I do not know as to that, but I think it satisfied the public mind at the time.

519. (*Chairman.*) Have you considered the suggestion to substitute a gold standard in India for the present?—Yes, I have given it as much attention as my materials, I may say, enabled me to work upon; and, the more I examined it, the more serious the difficulties in the way of it seemed to me to grow.

520. Will you state what those difficulties are, as they occur to you?—Well, in the first place there is the important preliminary question, which, perhaps, I had better refer to, that is, whether I may assume that a gold standard for India means a gold coinage also, because, if it does, I should like to understand that, or rather I should like to make my statement on that assumption. I do so because I cannot imagine how it will be at all practicable without that, without, that is to say, the silver coinage being convertible into gold. I cannot see how there can be a gold standard and an inconvertible silver currency.

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521. Convertible into gold—in what way do you mean?—Convertible into gold at the desire of the public or the holder of the silver.

522. That is to say, the right to have gold for the silver?—I think that is essential. I cannot imagine how it would be possible to have a silver currency and a gold standard upon any other principle than that. If that were not so, if it were not convertible into gold, then it would be a forced silver currency, which is like a forced paper currency; there would be no automatic action by which the amount of silver currency in circulation could be adjusted to the demands of the time. It would be redundant at one time; there would be too little of it at another time.

523. Do you know what the state of things is in France at present?—Yes, I know something of that.

524. There is a large silver currency in circulation, is there not?—Yes, there is.

525. And there is no right there to have the silver converted into gold?—No, but there are circumstances there which I was going to refer to. I think the case of France is most important as bearing upon the subject under consideration, and I was going to make a reference to that more particularly. Perhaps I shall best be understood if at present I assume that there must be a convertibility of the silver into gold currency upon some basis to be provided for.

526. But I am not quite sure that I understand why you say there must be that convertibility, that the scheme could not work without that convertibility?—Because there would then be no limit to the amount of rupees that might come into circulation. But, if you will allow me, I will come back upon that. The case of France has a direct bearing upon the subject, and perhaps, if I refer now to the case of France, it will help to clear the way a little. The case of France, as I understand it, is this: France has been a bi-metallic country since 1803, in name at any rate, though not altogether in full effect. Yet down to 1850 France was for all practical purposes a silver country, and during that time there was very little coinage excepting of silver. The figures were given by Dr. Soetbeer to the Royal Commission, showing the fact that the coinage in the 30 years ending in 1850 was, as regards gold, 18,000,000*l.*, and as regards silver, 127,000,000*l.* Then came a change. During these 30 years according to Dr. Soetbeer the market value of silver was on the average of those 30 years 15·79, the legal ratio in France being 15·50. There was, therefore, a margin of ·29, which is equal to 1·87 per cent., by which the value of silver in the open market was below the value of silver at the mint in France, the result being that France had silver poured into it, and was to all intents and purposes a silver country. Then came the change in 1850. The Californian mines were discovered in 1848, and in 1851 there came the Australian mines, which completely changed the relative positions of gold and silver. During the following 20 years, according to Dr. Soetbeer, the average value of silver in the open market was 15·41, being ·09, equal to ·58 per cent., below the legal ratio; that is to say, silver was of greater value in the open market during these 20 years than it was at the French mint. Then the silver of France was drained away and was replaced by gold by, you may call it, an automatic tide, which substituted the one metal for the other. In 1870, of course I am speaking now in round figures, but I think with accuracy as regards the main facts—in 1870 there was no excess of silver left in the Bank of France. The coinage during these 20 years was of silver 28,000,000*l.*, of gold 257,000,000*l.*, which supports the general statement that during these 20 years France had changed from a silver country to a gold country. Then came the German war, and all that followed upon that, and in 1873 or 1872, I think the end of 1872, the Germans resolved to cast out their silver and substitute gold for it. The United States were also engaged with their immense amount of forced paper currency, and were laying their hands upon all the gold they could get in the States.* Italy in a similar way was engaged with their currency. This soon told upon the flow of gold and silver in France. France had by this time associated with itself other four countries in the Latin Union, and they found that the gold would have ebbed away from them if they had stood by the bi-metallic principle. They then suspended one of the three fundamental principles of the Bi-metallic Union, the principle, namely, that there was to be free coinage of silver and gold at the mints of these five countries. The other two principles were allowed to stand, the one being the ratio fixed at 15½ to 1, and the other that the debtor had the right of paying his debt in whichever metal he found most convenient. Well, the coinage of silver was suspended. Then came the question as to what France was to do in order to maintain in the open market the parity of value at the point of 15½ to 1. They were most favourably placed apparently for this purpose. They had been extremely favourably placed for carrying out the substitution of gold for silver; much more favourably, I am afraid, than the Government of India would find themselves at the present time, but they appeared also to be very favourably placed with regard to the amount of silver which had been coined in France. There was no visible redundancy of silver. Well, then, what has France had to do in order to maintain the parity during the years subsequent to 1873? They have had to find 50,000,000*l.* sterling to retire redundant silver, and the Bank of France at this moment holds 50,000,000*l.* of silver.*

527. Why do you say that they had to find 50,000,000*l.* of gold, to get rid of the redundant silver?—I mean to say they have had to relieve the market—relieve the public of 50,000,000*l.* of silver, which was coined, and was in excess of the silver required for the purposes of the people.

528. You are speaking of the 50,000,000*l.* that they hold of silver?—They hold it in the Bank of France. That has all come in since 1872-3, and that must be regarded—at least, I can find no other explanation of the fact of their having to take in all that silver, excepting the fact that this silver was stored or hoarded, for the French people were always great hoarders, and they had to take in that 50,000,000*l.*—they have had to find the money to take in 50,000,000*l.* of silver, which silver has become greatly depreciated, and would now involve the country, for I do not suppose the Bank of France would be held responsible in the matter, but the country will sustain a loss at the present market price upon that of not less than 15,000,000*l.* to 17,000,000*l.* Well, that is what has happened in France, and that, or something like that, is what I think will happen in India when you come to introduce a gold currency, and I think you will have it with great aggravations.

529. It is only assumption that the Indian currency at present is redundant?—Yes. I think from all that we know, and of course your information may go far beyond what I have, but, unless I am greatly misinformed, I should imagine that there is a redundant circulation of silver in India, hoarded, and generally held throughout the country, which is incalculable by me at any rate. The Government may have some information upon the point. I think, going back now to the point which I left some little time ago, it would be necessary for the Government of India to maintain the parity of silver and gold at the ratio to be resolved upon, precisely as was necessary in France, but with this disadvantage, that France probably knew a good deal more than the Government of India are likely to know as to the

* Note by Mr. Gairdner. *See* Mr. Birch's paper, forming Appendix VII. of the Report of the Royal Commission on Gold and Silver, 1887, according to which the stock of silver in the Bank of France in 1871 went as low as 1,400,000*l.*, while in November 1892 it is 51,100,000*l.*

private hoards. I think it is an incalculable quantity, that is one serious difficulty as it appears to me.

530. Then France has accomplished the result, not in the way you suggested, by making the silver legally convertible into gold, but by storing up this 50,000,000*l.* of silver?—Well, they have not made it legally convertible, but they have found it necessary to maintain an approximate parity to the ratio of 15½ to 1. Gold has at times gone to 7, 8, and 10 per mille of a premium, but they have never allowed it to go to a very excessive premium. The way in which they have succeeded in doing that is by taking in from the market the redundant silver.

531. Now, are there any notes issued against this silver in the Bank of France?—Well, the note circulation in France has enormously increased. I think that it has to a very large extent been done by an increase in their note circulation. The note circulation, as is well known, has run up to 100,000,000*l.* sterling. Against that, or at least alongside of that, they hold 55,000,000*l.* of gold and about 50,000,000*l.* of silver, and very likely the withdrawal of so much coin was largely accomplished by increasing their issue of notes.

532. But, supposing there were notes issued equivalent to the amount of 50,000,000*l.* of silver, the Bank of France would not lose, would it, by the depreciation in the market value of the 50,000,000*l.* of silver? The position would only be that their notes would to a certain extent not be supported by the precious metal?—In the long run some one must lose, unless there is a revival in the price of silver. That 50,000,000*l.* of silver is not worth more than 33,000,000*l.* or 34,000,000*l.* at this moment. As before the law I should say that the position of the Bank of France is this: They are entitled to say, We shall pay all our creditors in silver; we are entitled to do so, and we shall do so, and, having done so, we shall have our 8,000,000*l.* of capital represented by gold; but that is precisely the thing which I apprehend the Government of France would like to avoid, just as I think they would avoid the penalty which they have to pay—the Government have to pay—for their bi-metallism, and for their attempt to maintain the conventional ratio at a time when the actual ratio had run away from it.

533. There is a large amount of silver circulating in France, is there not?—Oh, a very large amount.

534. And circulating at the fixed ratio?—Circulating at the fixed ratio.

535. That in France has been brought about without any legal right to convert the silver into gold?—True, but it has been done, as I think, by this sacrifice which I have endeavoured to explain, namely, of finding 50,000,000*l.* with which to withdraw redundant silver, and at the same time standing the risk of loss upon that large sum.

536. But, when you say "finding the money to withdraw that redundant 50,000,000*l.*," do you suggest that that 50,000,000*l.* of silver has been obtained by their parting with 50,000,000*l.* of gold?—No, not at all. I think it has probably been done by issuing notes, but still the bank has done that in order to maintain approximately the conventional parity of gold and silver.

537. Yes; but, supposing in India the result were only that which you say has been seen in France, namely, that the treasury should take from circulation 50,000,000*l.* of silver, and issue 50,000,000*l.* of notes; what would be the particular mischief done to India by that?—Well, that raises the question as to how something like the French operation could be worked out in India. That is a question which, perhaps, I ought not to speak upon, as I have no information beyond what is open to all the public. But, in the first place, you would have this question to face, namely, would they take your notes? The public of India are not accustomed to notes. As far as I know, they are accustomed to silver. They will keep their silver; but, if you substitute gold for silver, or if you make their silver convertible into gold, I should anticipate that the people, who are fond of hoarding silver, will find gold so much more easy to hoard, that they will make a very large demand for gold. Before you can have a note circulation, you must create in the people the preference for paper which exists, for example, with us in Scotland, and in some other countries. In America it exists, and all those various classes of paper, which are very complicated to the foreigner, they prefer. But in India it is not so, I should think.

538. We have been told that there has been a considerable tendency to change, in the respect that there is much more paper in circulation than there used to be?—Well, I leave that entirely an open question, as I have no information; I merely want to draw attention to the fact that, if you have, as I apprehend you would require to have, a fixed relation between the value of silver and gold, and that the silver shall be convertible, by which I apprehend we must mean readily convertible, and not convertible, as has sometimes been suggested, in large blocks of money, hundred or thousand pound blocks, I think if you have it readily convertible into gold, you might find a most serious demand for gold which would involve preparations on the part of the Government of India of a very important kind. And, if it led to India absorbing a large amount of gold, then it might lead to a further fall in gold prices, which would add, among other things, to the pressure of the sterling debt of India. These are contingencies which I only put forward because they occur to me as being possible. Then there remains another suggestion which I should like to make, particularly as Mr. Currie belongs to another Commission that is to meet one of these days, a suggestion which perhaps rather belongs to the International Conference than to this, namely, how far is it desirable that countries that hoard, or countries that have no effective system of banking, should have a gold currency? Is it safe, is not the power of absorption in India for example, and perhaps in other countries besides, so great that they would easily absorb, if they go on prospering, all the annual product of gold from the mines? I doubt extremely whether it is in the interest of the world, or in the interest of India with her sterling debt, to do anything which will largely increase the demand for gold. I think that is a question that would require very serious consideration, apart from the unfortunate position in which the Indian Government find themselves with their sterling debt, and with their officials and other matters of that kind; the silver currency is the real currency, as it seems to me, that is suitable for a country like India.

539. Do you not think that the state of exchange must tend to prevent the investment of money in India?—Well, the investment of English money has gone on very largely; but very likely it has, to some extent, prevented it.

540. But it only went on largely on a gold basis?—Well, no. I think it is going on now. I think there is a great development in tea and jute factories.

541. (*Mr. Currie.*) And in railways?—Well, I think they would have gone on more rapidly most likely.

542. Is it not the fact that the Government has been obliged, owing to the want of private enterprise, to borrow money in sterling for the construction of railways in India?—It is a question whether they were under the necessity of borrowing in sterling; I think they could have borrowed, though at a higher rate of interest, in India. I think Englishmen would have invested their money in rupee paper, and the burden of loss by exchange on the rupee paper, if it went on increasing, would fall not on the Government, but on somebody else.

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543. But has not that great fall in rupee paper forced the Government to borrow in sterling for the construction of railways in India? have they not rather compelled the Government to assume the risk of a fall in exchange?—I cannot speak as to that; I do not know that it has been fairly or fully tried, whether these loans for railway purposes could not have been raised in rupee paper.

544. But, when rupee paper is falling, as it has done in the last four years, from something like 90 to 65, would not that disincline persons to take rupee loans?—Undoubtedly, if the fall were foreseen. But the Government would have no good ground of complaint if rates of interest were raised on them, because they would only be paying the proper rate for their money in the country where they receive their revenue. They must pay for it in one shape or other. They had an immense advantage in borrowing in sterling at 3 and 3½ per cent, and they are now paying for that exceptional advantage by the fall in exchange. In the other case they would have paid a higher rate in rupee paper, and they would have known better what they were doing—what the cost of their loans really was.

545. (*Chairman.*) Do you say that, even supposing the adoption of the gold standard would be a good thing for India, the Indian Government ought not to be allowed to make the change; that it would cause an appreciation of gold, and in that way affect other countries?—Well, I do not know that that is a question for me to answer. I do not think my opinion upon that would be of much value. I think that the Indian Government of course cannot touch the obligations that they have incurred; they must, of course, be fulfilled, but as to the future, if they like to borrow in sterling money, well, let them; if they want to borrow in rupee paper, let them.

546. I was speaking of an alteration of their standard. You were suggesting that the alteration of their standard might take the gold to India, and in that way cause an appreciation of gold elsewhere; but do you think, supposing that on the whole it was an advantageous thing for India, it would be just to prevent India adopting the best standard instead of a bad standard, because it might be prejudicial elsewhere?—Well, the idea that I have upon that subject is that what we may call the civilized nations, the nations with an effective system of banking, should throw the whole weight that they can in opposition to countries like India having a gold standard. I think that is the sound view to come to.

547. India would be justified in resisting that pressure as much as it could?—I think those gentlemen who drew out this petition have not gone into the difficulties of the gold standard.

548. I quite understand your suggestion of the difficulties of adopting the gold standard; the question I was last putting to you was whether, supposing those difficulties were not so great as was thought, and that the change would be a beneficial one for India, it would be just to India to prevent its making that change and obtaining a more suitable standard, because of the fear of the appreciation of gold in other countries, in what you call the more civilized countries?—Well, I am not prepared to say that the deliberate wish of the Indian Government should be obstructed, provided they presented a complete scheme. It must be a large amount of responsibility, I suppose, which rests at home in connection with Indian affairs; but, if there was a complete scheme which overcame the difficulties which I have ventured to present, and if some feasible plan were prepared, I am not prepared to say that upon that ground alone which I last referred to, namely, the hoarding of gold and the stimulus to hoarding which a gold currency might lead to; I am not prepared to say that that alone should lead the Government to prevent India taking its course. I think that is a very important question. I think it is a very serious one in connection with the question to be discussed at the International Conference, There is not gold in the world for everybody, for every nation. I suppose we may agree upon that, and hoarding nations, I say, should if possible be excluded.

549. (*Sir Thomas Farrer.*) I do not quite understand what your view is with respect to the silver in France. You say that you think that the large sum which the Bank of France hold is redundant, in fact that they would have been better without it?—Excepting a small sum.

550. Well, then, if paper is issued against that, in what respect does that silver differ from the silver which is in circulation in France?—Well, I regard the present position as one of transition. I think that, if the silver now in active circulation in France, outside of the Bank of France, is adequate for their purposes, which no doubt it is, then the sum of 50,000,000*l.* in the Bank of France is to a very large extent redundant; it is not likely to be any more wanted in France than it would be in England.

551. You mean that it would be the gold in the Bank of France which is at its back, and that the silver is of no use?—The silver is of no use if they are to stand on the gold basis.

552. Then the same thing would be the case, the paper could be issued against all the silver which is now circulating in France, could it not?—Well, I do not consider that the silver is of any more use than any other commodity to meet those notes in gold; that is the same question that I was discussing with reference to America; if they are to pay these notes in gold, why keep the silver? Convert it when opportunity arises into gold, but then you will have to face a loss of 15,000,000*l.* upon that transaction.

553. Do you know the case of Holland?—No, not intimately.

554. You know that they have a gold standard with a silver currency?—Yes, in Java.

555. Do you know whether the guilder is convertible into gold in Holland?—I should not like to speak off-hand on that, but there is a very interesting point indeed bearing upon Indian affairs in the experience of Holland and Java.

556. (*Mr. Currie.*) Why do you say there is a great redundancy in the silver of India? I understood you to say that one of the difficulties that the Government of India would have to face would be that they would have to deal with a great redundant amount of silver?—Yes, I think so.

557. What reason have you for thinking that there is a great redundancy of silver?—Because it is a hoarding country. I cannot think that they will go on for ever hoarding. I think if you are to give them the chance of converting silver into gold, upon terms which would be favourable to the holders of the silver, they will avail themselves of it.

558. Do you know at all what proportion of the silver imported into India during the last 10 years has been coined?—No, I do not. I think there is some information about that in the Royal Commission's report.

559. Well, a very great part of it has been coined; 70,000,000*l.* value of silver has been imported in the last few years, and 60,000,000*l.* coined. Do you think these hoards are in the form of coined silver or bar silver?—Oh both, but I believe it is the fact that the Indian has hitherto regarded his uncoined silver as a reserve, which he could always convert into rupees at the time when he chose; and that question belongs to a branch which we have not referred to, the inquiry, namely, into the mode of carrying this out in its detail. Supposing you resolve to have your gold standard, what is to be the gold value of the rupee? It must be something more than the present market value I presume, which would be 1*s.* 3*d.* or so. Suppose you fix it at 1*s.* 6*d.* or 1*s.* 8*d.*,

who is going to suffer, who is going to be benefited by that? There will be an enormous amount of injustice done to individuals.

560. Then, in fact, you do not think the evils of the people and Government of India are sufficiently great to need any remedy?—Well, that is really the conclusion that I come to; or rather, that the remedy will be worse than the evil itself.

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561. You do not believe, I think, in the bi-metallic system?—Not at all; I look upon it as a delusion.

(The witness withdrew.)

Adjourned till Tuesday, November 8th, at 11 o'clock in the morning.

At the India Office, Whitehall, S.W.

THIRD DAY.

Tuesday, 8th November 1892.

PRESENT:

THE RIGHT HON. LORD HERSCHELL, THE LORD HIGH CHANCELLOR, THE CHAIRMAN, PRESIDING.

THE RIGHT HON. LEONARD HENRY COURTNEY, M.P.
SIR THOMAS HENRY FARRER, BART.
SIR REGINALD EARLE WELBY, G.C.B.
MR. ARTHUR GODLEY, C.B.
LIEUTENANT-GENERAL STRACHEY, C.S.I.
MR. BERTRAM WODEHOUSE CURRIE.

MR. HENRY WATERFIELD, C.B., *Secretary.*

MR. CHARLES MACDONALD, of Messrs. Macdonald, Miller, and Co., of Manchester, called in and examined.

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562. (*Chairman.*) Mr. Macdonald, you have been engaged in import business in the Bombay trade since 1860?—Yes.

563. I believe you were for a time at Bombay?—For 20 years pretty continuously; not for the last 10 years. I have been out twice within the last 10 years, but I lived there pretty continuously for 20 years.

564. Have you experienced in your business harassment and loss, owing to the difficulty of variations in the exchange?—Yes, we have. I say we and our dealers, because the risk of exchange is very frequently on our dealers, and we see their embarrassment and their fear to go into business, and often their losses after they do go into business.

565. Whom do you mean by your "dealers"?—The men who buy from us. The great bulk of the Bombay business is now an indent business, that is to say, on order, which orders we take there and execute here, and the indentor has to pay within a short time on certain conditions, and commonly most of our dealers take the risk of exchange themselves; that is to say, they buy from us in sterling, and they have to pay us the sterling, and the exchange loss of a large proportion of our business now falls on our dealers.

566. Are they natives of India in many cases?—Always.

567. Then you think that they have experienced the inconvenience of exchange variations, and not merely the importers from this country?—Not merely the importers. We have and they have, and therefore I named them together. The embarrassment has been very marked within the last three months. We hoped to see business revive after the monsoon. We got to just over 1*s.* 3*d.* Exchange then gave way, and my partner wrote that the men would do no business. They seemed to have a feeling against doing business at the moment; those feelings do not last, but in the first instance they felt, "We will do no business with the exchange at less than 1*s.* 3*d.*," and they all fell off ordering.

568. Do you think that it operates to any considerable extent as a check upon business being done?—A check and trouble in the higgling of the market, but I would not venture to say that it materially reduces the volume of imports into Bombay.

569. Do you think that the native merchants are alive to the mischief of a varying exchange?—Very much so. By the mail of last week or the week before, I forget which, they sent home a memorial on that point, which has also been done by the Kurrachee piece-goods dealers. This is from the Bombay piece-goods dealers, who have not done this before. (*Memorial handed in.*)

570. Do you think that the exchange difficulty diminishes the amount of English capital invested in India?—Very much so. Some years ago a friend of mine, who represented one of the largest life insurance companies, said to me that they were sending their money to all quarters, largely to Australia, and it occurred to him why could they not avail themselves of investments in India. He made inquiry, and, finding the exchange difficulty, he was so struck with it that it changed him into a bi-metallist.

571. Do you think that the cotton mills in India have benefited by the fall in exchange?—I think they have. I think that, in paying salaries, wages, interest on debentures, and ground rents, in a currency which has not been materially appreciated, they have a great advantage over the Lancashire manufacturer, who has been in exactly the opposite position with a currency continually appreciating.

572. There is considerable difference of opinion, is there not, as to whether they have a material advantage now over the Lancashire producer?—Yes; it has been disputed, and it was fought out in the Manchester Chamber of Commerce, and the final vote was to the effect that they have an advantage.

573. There was a large minority, was there not?—There was.

574. Supposing that no remedy is applied, and the fall in silver goes on, do you think that there would be a loss, a disadvantage, to traders, as well as to

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the Government?—An increased disadvantage. I have said already that I do not think the fall in exchange has materially affected the quantities of either exports or imports; and, if it fell further, that same rule would apply. Commodities would still come and go.

575. Then you do not share the view entertained by some, that the fall in exchange has largely increased the exports from India?—I do not hold that view. I think any evidence we have is to the contrary. As for example, that the exports of wheat were larger in 1881 than they were in any of the succeeding years up to 1889–90, whilst during that time I do not say the exchange continuously fell, but in the main it was falling during all that time, yet there was not an increase of wheat export corresponding with the fall; the great exports of 1889–90 were caused by other reasons altogether.

576. What was the nature of those reasons?—The deficient crop in Europe and in America.

577. Has it been reduced again?—Reduced lower than it was in that year, certainly.

578. Now, with regard to the remedies which have been proposed for the evil of the uncertain exchange, have you considered the proposals of the Indian Currency Association?—Yes.

579. Do you think that the adoption of a gold standard for India, as suggested by them, would be practicable?—I think it would be practicable. I think the other plan of Mr. Lindsay, which you probably know, is preferable.

580. What is Mr. Lindsay's plan?—Mr. Lindsay's plan is the fixing of a gold standard without introducing a gold currency. I think that is practicable, I should say more practicable than the other; and it has these advantages, that it makes less disturbance in the gold markets of the world—I mean out of India—and it does not introduce a gold currency to compete with the silver currency, which I should be in favour of maintaining as much as possible. And the further advantage is that, if other changes are made, if bi-metallism were introduced within the next few years, you are not troubled with the manipulation of this gold currency in India.

581. You are referring to what has been entitled the "Ricardo Exchange Remedy," by A. M. L.?—Yes, my Lord, his name has been given in the pamphlet with the presentation copies. It was put in a little slip printed in red, "With the author's compliments."

582. Now what do you think would be the effect of fixing a ratio between gold and silver, and then creating a gold standard without any gold coinage in India?—The advantages to India?

583. Yes?—In business, the stability of exchange; in Government operations, the ceasing of the continual decline, and the fixing of the rate, so that they should know what they are doing, which they cannot know just now; and also in a great measure making an opening for English capital to go out.

584. Do you think it would be practicable to fix the ratio in that way?—I think so; I have read it carefully; I have talked it over; I do not think that it is impracticable; and it is the same plan which is in operation, and has been since 1873, with reference to Dutch India.

585. Have you formed any idea as to the rate at which the ratio should be fixed?—I am in the position of preferring a high ratio, but I doubt if it is practicable. I think a low rate is unjust, but that you must put up with that as things have been; I think that anything below 1*s.* 6*d.* would be very unjust.

586. Unjust to whom?—Unjust to those who have sent their money out there, and to those who have made bargains before 1873, of which many are still running. To all debts contracted before 1873 it would be unjust, and certainly unjust to those who have sent their money out there, as banks and others have done, and would only recover it at the low rate.

587. But, supposing the true view of the future to be that silver is not likely to recover substantially, in that case, would you say it was unjust to fix something below 1*s.* 6*d.*?—It would be unjust, I think. It would be less just. It is a case where you must do the best you can, but I think it would be less just to go to a very low rate.

588. Of course the result would be to deprive those who are interested of the chance of a rise?—No, not necessarily.

589. Well, beyond whatever rate you fixed it at, would it not?—No; in that scheme of Lindsay's, at one page he puts it that, if silver outside of India's operations rose to a high rate, the Indian Government is always to coin at a rate which gives to it a profit, meaning that, while they pay more for their silver than the equality of 1*s.* 6*d.* or whatever the rate is that is fixed, when it goes above, their rupee rate must go up with it.

590. Do you mean that the ratio then would be changed?—Yes.

591. Would you not, in that case, get the old evils; it would go up when silver went up, but then it would have to come down when silver came down?—Yes, I think the point in Mr. Lindsay's view, when he makes that proposal, is the possibility of bi-metallism; and those who hold bi-metallist views do not admit a fluctuation after the rate is once agreed upon; there could not be a fluctuation, it might go higher, but we do not admit the idea of its going lower.

592. But, if bi-metallism were not agreed upon, so that you had the price of silver regulated only by the same conditions which regulate it now, it would be essential, would it not, to the scheme of a fixed ratio between gold and silver, that it should not vary with the price of silver?—No, I think not, not essential. It is quite true, as you say, you would have some of the old evils, and this is only a remedy so far; it is not a perfect remedy; it is a remedy so far, and would be against the heavy fall which we dread in the immediate future; if silver went up, that may be an evil, but we are not so much afraid of that as of the other. And there is a limit under this remedy; there is no limit at present. People talk of the rupee going to 9*d.* or 10*d.*, whereas, under this plan, as far as we know, it will never go beyond some small rise above 1*s.* 6*d.*

593. (*Mr. Courtney.*) You want to be guaranteed against loss, with the possibility of gain?—I do not take in the possibility of gain. Your Lordship suggests that I am not alarmed at it; but that is not the feature of the scheme.

594. (*Chairman.*) But do you think that the scheme would be a satisfactory one, if it fixed the ratio between the rupee and the gold, whatever the price of silver were; whether it went up, or whether it went down?—Absolutely fixed?

595. Yes?—That would be very embarrassing, because how are you to get your silver then? The Government might be coining at a loss continuously. I do not see how it can be done. They could not buy the silver at the equivalent of 1*s.* 8*d.*, and give it out freely at 1*s.* 6*d.* I do not see what advantage that would be. Why should they not follow the market, if it takes a turn which cannot be anticipated?

596. (*Mr. Courtney.*) If you had a perfectly open mint for gold, would not that keep it at 1*s.* 6*d.*?—Oh, I am not at all clear about that.

597. (*Mr. Currie.*) Then you are not in favour of the gold coinage?—No, I prefer the gold standard without a gold coinage.

598. (*Sir Thomas Farrer.*) How do you keep the standard?—As long as council bills are sold, that keeps the standard; in the contingency which some people suggest, of the balance of trade turning against India, so that no treasure is imported, then it has to be tested by this gold standard which Mr. Lindsay suggests, and which he suggests should be applied in London in preference to applying it in India. And there I agree with him. I would not propose to make the change from silver into gold by the public easy, but would have it there as an absolute test in time of need; but I do not wish to make it easy; I do not wish to change the currency of India. I think they had better remain on their silver, but the ultimate test,

in case of no council bills being sold, would be to bring the rupees to London and change them in London. Mr. Lindsay says at a discount of a penny in the rupee from the Government rate. I do not agree with him there. I would not inflict a penalty like that, but I would certainly make the operation in London, so as to discourage the shipping homewards of the rupees.

599. (*Mr. Currie.*) But, if you have no gold coins, how can you have a ratio—a ratio to what?—A ratio to gold.

600. To what gold; it must be to a gold coin?—To the gold which the banks give you for your council bills. In London at the present moment you get all your gold on a ratio which the banks hammer down once a week as far as they can; and then they would hammer no longer if the India Office said, "Our rate is so-and-so."

601. (*Sir Reginald Welby.*) Then there would be no right to get gold in India?—Not from the Government.

602. (*Chairman.*) But, supposing they were to say, "Our rate is so-and-so," what would there be to prevent, instead of the use of council bills, the transactions being entirely carried out by the purchase of silver; the shipping of silver to India?—The closing of the mint in India.

603. Then that would be an essential part of your scheme?—I think so. You cannot otherwise fix the rate, because we think it probable that there might be a great fall of silver; and for the banks to be at liberty to buy silver at the lower rate, and put it into circulation in India at the agreed rate of 1*s.* 6*d.*, would be an injustice that no one would contemplate.

604. Then the plan that you would propose would be simply to close the mints to the free coinage of silver, and for the Government of India or the India Office to fix a rate below which they would not sell their council bills?—Yes.

605. (*Sir Thomas Farrer.*) Then you would leave it entirely in the option of the Government of India to fix the ratio, and also to determine what amount of currency India should have?—The currency would be automatically regulated to some extent,—I do not say to a sufficient extent, but to some extent,—by the sale of council bills over and above the requirements of the Government on this side; and with that additional quantity of council bills they should be bound to purchase silver with the proceeds, and send it out to be coined. Beyond that it would be at the option of the Government to coin more silver, if they thought it was required.

606. Close the mints?—Yes.

607. Until the rupee and the council bills sold for a certain amount of gold? I only want to get at your plan, what it is?—Yes, you are quite right, but you say "until." I did not put any "until" in. I closed them altogether to the outside public. I leave the requirements of the mints to be supplied by the sale of council bills if that will supply it, and, if not, then at the discretion of the Government. If that does not supply it, I would not re-open the mints to free coinage.

608. Under no circumstances?—No; under no circumstances, according to the plan of which we are speaking. Of course, if it were bi-metallism, both metals would be coined for all comers.

609. I want to get at your plan; do you put any limit upon the discretion of the Government of India?—This limit: that, as far as they sold council bills over and above their requirements, they should be bound to buy silver, and coin it out there. That might be much or little; if the balance of trade were turned, which I do not contemplate, it might be little or nothing. Then it is at their discretion, but I think there would still be treasure to be sent out.

610. (*Sir Reginald Welby.*) That is not a limit on the Government of India, is it?—Yes, a limit to their discretion, that they cannot decline to do that much.

610*a*. But it is in their discretion how many council bills they will sell?——

611. (*Chairman.*) No. I understand you to say that, if they sell more council bills than is absolutely necessary, then they are to coin an amount of silver equal to the amount of the council bills?—Yes. I see the difficulty, my Lord, and therefore this plan contemplates that they are to sell council bills at the rate to all that want them, because that is the way of putting the——

612. (*Sir Thomas Farrer.*) Sell council bills to everybody who demands them, at what rate?—At the Government's rate; at the fixed rate. In speaking of a fixed rate, I think there is a great deal to be said in favour of rising gradually. If they were to say just now, "1*s.* 6*d.* is to be our fixed rate, but we shall approach that rate by a rise of $\frac{1}{32}$*d.* per week," it gives a long time for people to see where they are before they reach 1*s.* 6*d.*; and, if events were to turn out quite unlike what is expected, then they can stop.

613. (*Mr. Currie.*) Supposing, sir, that the Government were to close the mints as you suggest, and were to offer bills in the market, at what rate do you think the competition of the banks would take those bills?—The banks must take them at any rate the Government fixes; they would have no other way of laying down rupees in India.

614. But, supposing the Government did not fix a rate, but offered the bills as they do now, at what rate would the banks, using their own discretion, tender?—It would entirely depend on the market price of silver.

615. No; the mints being closed, I say?—At what rate would they take them?

616. Yes?—Then I say they must take them at what rate they can get them.

617. (*Mr. Courtney.*) Supposing they do not want them at that rate?—Then I do not understand how they would do any business.

618. (*Mr. Currie.*) The Secretary of State every week offers a certain number of bills; there is no minimum and no maximum—he simply offers them for competition; and the price at which the tenders are sent in is regulated by the price of silver with the mintage and other charges in addition. At what rate would they probably go, if the Secretary of State were to offer them, having previously closed the mints?—They would only get them at the rate which the Government fixed.

619. Supposing he does not fix a rate, but simply offers them as he does now?—Then he and the banks would higgle; he trying to get as high as he could, and they trying to get as low a price as they could. No one could tell which side would yield; it is a fight.

620. No, but I want to know what in your judgment would be a true estimate of the exchange which the banks would make?—I do not see any materials to make an estimate.

621. You would not make an estimate?—No, I do not think anyone can.

622. Then how is the Secretary of State himself to estimate what the true ratio or true exchange is; what facts has he got before him, which the competing banks have not got, to enable him to estimate what is the sterling value of the rupee?—I do not know that there is such a thing as the sterling value of the rupee.

623. Well, sterling price I would say?—At present it is fixed by higgling. I am supposing a case where there is no higgling, and you are supposing a variation from what I call fixed.

624. The same higgling would be done, but the alternative of the silver would be gone; the mints would be closed; the banks would be compelled to buy council bills?—Yes.

625. They would then compete, I imagine, would they not?—With each other?

625*a*. With each other?—Not in the plan I have named.

626. (*Chairman.*) What is put to you is this: Supposing that the mints were closed, so that those

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who had to remit money to India had not, when they were bidding for council bills, the alternative of going into the market and buying silver if the terms were not favourable enough to them; you would destroy that alternative. Well, they have got to purchase bills for the purpose of remittances?—Yes.

627. Because they cannot make the remittances by means of the purchase of silver?—Yes.

628. That of course would put them in the position of not having the same advantage in bargaining for the bills as they have now?—Certainly.

629. Well, do you think that that would necessitate their giving a higher exchange than they give at present?—I think so.

630. But would it be possible to determine at all what they would give; would that not depend upon the resolution of the India Office as to the price at which they would sell?—It would. I am assuming that the India Office would name what they were going to do, and would adhere to it. I do not contemplate their giving way, and I do not think there is any occasion for them to give way. The banks will do their business in much the same way at a rising rate or at any known rate, as they would at the lower rate.

631. (*Mr. Currie.*) Then you would no longer give the bills to the highest bidder, as I understand you?—There would be no bidding; here they are for you and me and everyone, at the one price.

632. How would you settle how much each bank was to have, because there is now keen competition, as you are aware?—They send in tenders for six times as much as they want now, and only get what they do want. They would not do that then. They would ask exactly what they were prepared to take.

633. (*Sir Thomas Farrer.*) You would begin by fixing a ratio?—Yes.

634. (*Mr. Currie.*) And you would not take more if a bank bid you more than your ratio? You say, as I understand, that the wise plan of the Secretary of State would be to rise $\frac{1}{32}d.$ every week?—Yes.

635. Supposing to-day the Secretary of State offered bills at 1*s.* $3\frac{1}{32}d.$, and supposing a banker bids 1*s.* $3\frac{1}{16}d.$, would you give him no preference?—I do not know. I have not thought of that.

636. (*Chairman.*) According to your plan, I understand there would be no reason for their bidding higher, because you would give to everybody as much as they asked for at 1*s.* $3\frac{1}{32}d.$?—I say that; but that raises the difficulty that the banks might drain off all the bills at an early stage; there must be a check.

637. (*Mr. Currie.*) If they thought you would rise $\frac{1}{32}d.$ every week, they would clearly take them all at the lower rate?—I see that, and they would require some restriction.

638. (*Chairman.*) Supposing you fixed your ratio at once, and did not arrive at it by steps, then would there be any difficulty, in your view, in adhering to it, and giving to the banks as much as they asked for at that rate?—No, there would not.

639. (*Mr. Currie.*) I understand you to say, sir, you think there would be a very awkward dislocation if a sudden jump were to take place. I think you said, if the Secretary of State were to fix the ratio at 1*s.* 6*d.*, that being done at once might cause a very great disturbance in India. Well, assuming that to-day the exchange is 1*s.* $2\frac{7}{8}d.$, supposing by a stroke of the pen it were to rise up to 1*s.* 6*d.*, would not that cause a great disturbance?—Yes, it would.

640. (*Chairman.*) Supposing the scheme were such as you suggest, with a rate of 1*s.* 6*d.* arrived at by a gradation from a lower rate, do you think it would be practicable or not to limit the amount of bills which the Secretary of State sold until you had arrived at the fixed ratio?—Yes; from the suggestion that this member of the Committee (Mr. Currie) has made, I think that would be necessary.

641. (*Sir Thomas Farrer.*) Did not I understand you to say that there would be a self-acting limit of this kind, that, when you got more bills asked for at the fixed ratio than the Government needed, the Government should then be bound to turn that money into silver currency in India?—Yes.

642. That would make the rupee of less value, and consequently would limit the demands upon the Government for bills; is that your view?—No.

643. I want to ascertain what your view is?—No; because the supply of coins sent out in that way would not be excessive.

644. I thought you said that the Government were to be bound to coin any money they received in excess of what they wanted?—Yes.

645. (*Chairman.*) I understood that only to be in order to secure there being a sufficiency of currency in India for Indian purposes?—Yes.

646. Not in connexion with the exchange at all?—Yes, I take it that this arrangement would take the place of the present imports of treasure, which in the last four years have amounted to about 14 millions of tens of rupees per annum, gold and silver.

647. Do you share the view that to fix a ratio, and prevent the continuous fall of exchange, would be prejudicial to the trades of India which compete with trades in silver-using countries?—It would as far as it appreciated the rupee; it would operate in that way as a disadvantage to India against the competing silver-using countries, such as China.

648. (*Sir Reginald Welby.*) It would damage the tea trade, for instance?—Yes; I cannot say to what extent, but its tendency is so.

649. (*Chairman.*) Have you any facts which support the view that that would be the result?—No, I have no statistics, but to me the thing is quite obvious, quite indisputable.

650. Do you know whether there were any products of Java which competed with the same products coming from silver-using countries?—I cannot say.

651. That would afford some instructive information, would it not, on the point?—It would, but I have never heard it spoken of as a practical difficulty.

652. Well, the change there was at first the cause of serious apprehension, was it not? There were some who thought that it would very prejudicially affect Java?—That is a long time back; I cannot say. It was done in 1874 or 1873, and that is a long way back, and of course it was fixed at the ratio of those days, which is far above anything that is proposed for India at the present day.

653. But that would make the mischief all the greater, would it not?—It would, but then I have never heard any complaints. The Dutch Indies trade is a trade very much protected by themselves, which obviates this difficulty to some extent.

654. (*Mr. Currie.*) But their sugar is shipped to this market mainly, is it not?—That I do not know.

655. (*Mr. Courtney.*) You admitted, I understood, that the introduction of this system would be prejudicial to the tea industry in India?—Yes, this I say is the tendency; of course, on the other hand, it is said that Indian teas and Ceylon teas have a position of their own in a great degree irrespective of China, but the tendency is against Indian products.

656. Would you, by the same reasoning, think that the alteration would affect the cotton-spinning industry of Bombay in competition with the English industry?—Yes.

657. By a similar train of reasoning?—Yes.

658. Would it in fact affect all industrial pursuits in India that competed with extra-Indian pursuits?—Extra-Indian?

659. Yes?—Yes, probably.

660. Though it might be convenient to traders, it would be inconvenient to producers?—Yes, that is the tendency. Of course, against that you have to put that the producers have had a very great advantage, and they would only be losing part of it. In the statements in "The Economist" of September 3rd they showed that, taking six descriptions of food grains between 1875–81 and 1891, there was a rise of 42 per cent., so the producer—the grower—would be losing part of that only.

661. You say this in correction of what has gone before?—Yes.

662. But at the same time there is that struggle between producers on the one side and mere traders on the other?—Well, one of the greatest advantages to India in making this change would be the adjustment of Government obligations, which would certainly be for the benefit of all taxpayers.

663. That is another consideration?—Well, as regards traders, it would be so.

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The witness withdrew.

Mr. JOHN ALEXANDER BEITH called in and examined.

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664. (*Chairman.*) You are a partner of the firm of Messrs. Beith, Stevenson, and Co., carrying on business in Manchester and Glasgow?—Yes.

665. You are, I believe, a director of the Manchester Chamber of Commerce and a member of the Mersey Dock and Harbour Board?—I am. Perhaps I should also add that I am one of the five directors of the Manchester Royal Exchange.

665*a*. You have been for 30 years a Manchester merchant?—I have.

666. The chief business of your firm has been to act as financier and intermediary between manufacturers in Lancashire, Yorkshire, and Lanarkshire, and merchants in Kurrachee, Bombay, Madras, Calcutta, and China?—Yes, and Japan.

667. You have not houses of your own in an Eastern port?—I have no houses of my own in any Eastern port.

668. You have had large opportunities of observing the course of exchange with India and with all the eastern markets?—Yes, I have had very large opportunities.

669. You have been, I believe, in India, China, and Japan?—Yes, I have paid two cold-season visits.

670. You are acquainted with the proposals of the Indian Currency Association?—Yes, I have read their proposals.

671. I believe you are averse to treating the case of India separately?—Yes, I view it with absolute alarm; I think India is too much connected commercially with the further East, and Great Britain is too dependent upon international trade generally, to permit of a separate treatment of the disturbance of exchange in this way.

672. When you say you regard it with alarm, are you looking at it as it would affect India, or Great Britain and other countries as well?—Most as to its effects upon India, and also as to its effect upon the international trade of Great Britain and upon Eastern trade and Eastern exchanges generally.

673. What do you understand to be the intention of the proposals to close the Indian mints and have a gold standard for India?—Well, I suppose that there would be no free coinage of silver; silver would only be coined as Government may think proper; and, in regard to the gold standard, I understand it is proposed simply to declare a gold standard, without having any large gold reserve in India.

674. That is the scheme, but what is your view as to the intention of those who advocate the scheme?—I think the intention of it is to shift the present loss of exchange from the Government, and to distribute it, if possible equitably, with as little individual burden as possible, over the wide area of the whole population of India. That is the first intention, as I read it. Secondly, to relieve the civil and military servants of India, of the great injustice to which they are subjected in making their necessary home remittances at low rates of exchange. And, thirdly, to enable the Government of India to borrow in European markets funds to develope India at reasonable rates of interest, and without loss in exchange.

675. I observe that you make no allusion, as an object aimed at, to obviating the business inconvenience which is now felt by merchants in India owing to the constant variations in exchange?—I suppose they have that object in view; if they have, I do not think that this will accomplish it.

676. Are you aware that a very considerable dissatisfaction has been expressed by traders in India at the present state of things, and that it has been said to check and complicate business?—I have not the least doubt that it greatly complicates business, and to that extent retards business.

767. Now, as regards the first of the objects to which you have alluded, do you believe that the adoption of the scheme would be successful?—Well, I believe that nominally it might succeed, yet that it would be at so severe a cost to the people of India, (I may afterwards explain how), that the ultimate loss to the Government in revenue would be much greater than that now sustained through the loss in exchange.

678. You propose presently to indicate why you think that would be so?—Yes, I do.

678*a*. As regards the other objects, what have you to say?—Well, in regard to the very just grievances of the civil and military servants, I believe it would in the end be much more economical for the Government of India and satisfactory to those servants, if a fixed portion of their pay were made in sterling. As to the facilities for the Government borrowing in Europe with a rupee fixed at 1*s*. 6*d*., independently of the market price of silver, I believe firmly that it is distinctly open to doubt, whether European capital would be attracted, at any rate for long, especially as the ratio would be secured solely by the guarantee of the Indian Government, and not by an international guarantee. I mean that, circumstances having compelled India to adopt this proposal, circumstances might compel India to abandon it, and that, therefore, there would be distrust, not of the monetary power of the Indian Government, but of the system as to whether it would hold good permanently. I also feel quite sure that immediate advantage would be taken of the fixing of the rupee at 1*s*. 6*d*., to withdraw much European capital from India which is at present only waiting an opportunity of a good exchange to be withdrawn.

679. But that would be the case only, would it not, if there were apprehension of the 1*s*. 6*d*. not being a permanent ratio?—No, I think there is a great deal of capital now that is waiting to come back from India if a respectable exchange rate could be got for it, apart altogether from the other operation.

680. How is it invested now in India?—Well, I suppose it is deposited in banks and in various ways. I know of several Indian firms who have their capital out there, who would like very well to have a large portion of it home.

681. But, supposing that there were a fixed ratio of that kind, would not many people who are now anxious to remit it home be willing to invest it in India?—Some might—what I mean to say is this—that what you gain in one way you might lose in another way.

682. But, supposing that the people could depend upon the ratio being fixed, are the results of investments in this country now such that it would be attractive to bring it from India for investment, rather than invest it there?—The tendency of all gold securities is to increase in value. The results from them in sovereigns may not be so very great, but the buying power of those sovereigns, of course, is much greater than it was.

683. If you had a gold standard for India, that would be a gold security, would it not?—No doubt, but I am perfectly certain that the popular feeling among persons who have money in India would be to

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get as much home as possible, if you got to a rate of anything like 1*s.* 6*d.*

684. But do you think that, if you had a gold standard, so that there was not a fluctuating exchange, and the fear of a constant fall, large sums of money might not go for investment to India which do not go now?—I think money might go, but I doubt it, because I think there would be a distrust of a gold standard not based upon gold, or a gold standard in India without an international guarantee supporting the ratio at which that standard was fixed.

685. Do you suppose it would be impossible to have a gold standard based upon gold for India?—I cannot understand how it is possible to have such a thing without a store of gold.

686. Why?—I do not profess to be an authority on that subject; I cannot conceive it possible.

687. But why?—Well, I have read Mr. Lindsay's pamphlet, which advocates that, and it seems to me that that is based upon a fallacy. It is based upon the existence of some fund in the Bank of England which, I understand, does not exist at all.

688. Yes, but I was not speaking merely of Mr. Lindsay's pamphlet; I was asking generally, whether you considered that it was impossible to have a gold standard in India which was not based upon gold, because you said that the people never would believe that the gold standard and the ratio would be maintained, if it were not based upon gold?—Either based upon gold or upon international agreement to maintain the ratio. I cannot conceive any circumstances in which a gold standard can be established, except one of those two. Of course, I do not profess to be an authority upon that subject. I can only give you my opinion.

689. But we have experience, have we not, of gold standards with a very large circulation of silver, and with silver an unlimited tender?—There is something of that sort, I believe, in the Dutch colonies.

690. And in Holland and in France, is there not?—I think that France has a very large stock of gold in her Bank—in the Bank of France.

691. Do you think that the fact that silver may be tendered to an unlimited amount, and that it keeps its ratio, depends upon the amount of the stock of gold in the Bank of France being so large as it is?—Either on that, or, as formerly, by a bi-metallic arrangement—an international bi-metallic arrangement.

692. Now, referring to the present state of things in France?—In France they have a large stock of gold, undoubtedly.

693. Do you think that it is this large stock of gold which enables them to keep so large an amount of silver in circulation with an unlimited tender and the ratio maintained?—Not entirely; it depends a good deal upon that, but I think it depends more upon this fact, and I think the same thing applies to Holland, that neither have anything like the international trade that we have. Their silver circulates internally practically as fiduciary token money.

694. But India with its international trade does not need to export treasure?—I think it might.

695. I thought, as a rule, it imported treasure?—What if the balance of trade, as I shall show afterwards, went against India?

696. But, as regards what we have hitherto had experience of, that difficulty would not arise?—If the balance of trade continued in favour of India, the problem would be much easier, I admit.

697. (*Mr. Courtney.*) Lord Herschell asked you if you objected to the possibility of a gold standard without a gold backing?—Yes.

698. He asked you whether it was important to have a gold backing in India?—Well, if the balance of trade remained in favour of India, no doubt there would be a current of gold going into India, and you would get a gold backing in that way; but it seems to me that the balance of trade might be altered by what you propose to do. I think I can show that afterwards, and there is this great difficulty to me that, if gold goes into India, it is a doubtful thing whether it will remain in the hands of the banks and the Government. I think it will be absorbed by the people of India and hoarded. The tradition and habit of the country have always been to hoard its treasure; and, if you discredit silver, as I think this would do to a considerable extent, I think you would find that the whole tendency of people in India would be to hoard the gold.

699. (*Chairman.*) It is your opinion, I understand, that, assuming the possibility of establishing a par of exchange between England and India, by the process of closing the Indian mints to the free coinage of silver and declaring a gold standard in India at a fixed ratio to silver, the attempt to do so would increase indefinitely the present dislocation and danger to the trade and the exchanges of India?—Yes, I think it would.

700. Would you explain your reasons for saying so?—Well, it would first have a very adverse effect upon Indian exports to gold countries; the fixing of a gold standard for India, say at 1*s.* 6*d.*, and the closing of the Indian mints to the free coinage of silver, would, in my opinion, be a most costly process to the industrial, agricultural, and producing classes of India. It would mean a great advance in Indian exchange, and a heavy fall in the prices of silver.

701. Why a great advance in Indian exchange?—Because Indian exchange is now at 1*s.* 3*d.* If you fix it at 1*s.* 6*d.*——

702. That I understand, but then you would be fixing it at a higher ratio than exists now?—At a higher ratio, yes, and it would mean a heavy fall in the price of silver as well.

703. Why should it mean a heavy fall in the price of silver?—Because at present India permits free coinage of silver; you would immediately limit the coinage of silver, and, if you limit the coinage of silver, you of course destroy the demand for it.

704. The Government would keep the coinage in its own hands, but it would not necessarily follow, would it, that the amount of silver coin in India would be greatly less than at present?—Well, that just depends on what view the Government took; if the Government wished for any reason to force up the rate of exchange, they have only to contract the coinage of silver. Just now it is automatic; the silver is coined, whether the Government wish it or not.

705. Well, then, what do you think would be its effect on Indian produce exported to gold currency markets?—Well, in consequence of the rise in Indian exchange and fall in silver, there would be lower exchanges in China, Japan, the Straits, and Manilla. Indian produce exportable to western gold currency markets, such as rice, opium, indigo, seeds, cottons, hides, tea, sugar, coffee, silk, and many other minor articles, would be handicapped in competition with those of China, Japan, and the Straits, which would hardly fail to be enormously stimulated by the advantage of having silver much cheaper in these markets than the rated rupee, and by the consequent low exchanges in China, Japan, and the Straits.

706. Now with regard to those; are those all at present products of other silver-using countries?—They are more or less, some of them very largely so.

707. Opium for example?—Opium is largely produced in China.

708. Well, but why do they import it from India?—No doubt the Indian opium is better than the China opium. I think that has a good deal to do with it, but, if you give the Chinaman a good price, he will produce a good opium.

709. You were speaking of the export to gold-using countries, but the great proportion of the opium produced in India goes to a silver-using country, does it not?—Yes.

710. Does any of it come substantially to the west?—For medicinal purposes.

711. But still that would not be a large part of the opium?—I cannot tell you the proportion.

712. As regards the bulk of the opium trade, which goes from India to China or other silver-using country, why should that be affected by fixing a gold standard as the par of exchange between England and India?—It would stimulate the growth of opium in China.

713. Why?—Because, if you pay India in silver, which remember as silver would be a depreciated article in India, the price of opium would naturally rise very much in India, and the growth of it would be stimulated in China.

714. Supposing that you fixed this ratio of exchange between England and India, and that rupees sufficient for the use of India should be coined, I do not see why there should be any change of the price for which opium could be purchased in India?—It depends altogether upon that point which you have mentioned; would the price of silver be maintained at anything like 1*s.* 6*d.*?

715. I am not speaking of the price of silver?—Well, but that is what I am speaking of. You are paid in China for this opium in silver; you send this silver to India; that silver in India is not rupees; it is only worth the price of silver, whatever that may be.

716. Oh, you are speaking of the purchase by China from India?—Yes.

717. Paid for in silver?—In silver.

718. (*Mr. Currie.*) But has the quantity of opium consumed by China increased or decreased of late years?—I believe the quantity—I am not in the opium trade or the produce trade—but I believe that the quantity of opium from India to China is decreasing.

719. And has the price increased or decreased?—I cannot answer. I know that the quantity of opium grown in China is increasing very much.

720. Is it a fact that, when the rupee was at 2*s.*, there was a smaller consumption of opium than when the exchange was 1*s.* 3*d.*?—I think that is very likely, but I really cannot answer; I am not in that trade. My point is that you are paid for this opium in silver, and that silver is not rupees.

721. (*Chairman.*) Your point, as I understand, is that, although silver was falling before, you could coin it into rupees?—You could coin it into rupees at once; and that was your par of exchange between India and China. Now your par of exchange would be destroyed. You would have payments in silver, and that silver only worth the market value of silver, whatever that might be.

722. So that you think, on that account, there would be less opium bought in India, and more produced in China?—Undoubtedly.

723. (*Sir Thomas Farrer.*) Does China actually pay in silver, or is it only the standard in which the commodities which pay for the opium are measured?—On the average China pays about 5,000,000*l.* a year in silver. The balance of trade is in favour of India, I think, to the extent of 15,000,000*l.*

724. (*Chairman.*) But is that discharged by treasure, or by sending goods?—I say it is discharged to the extent of 5,000,000*l.* by treasure. It was only two millions last year, but the average of some years back is 5,000,000*l.*

725. (*Sir Thomas Farrer.*) Has that silver come from China by San Francisco; it is not mined or produced in China?—No, it comes chiefly from San Francisco. I think it comes also largely from Australia.

726. (*Chairman.*) Now, rice is produced in China?—Yes, largely.

727. The China rice and the Indian rice compete, do they not, in the English market?—Yes, and Japan and Saigon rice too. I would just like to mention on this point what I consider an exceedingly important matter, and that is that the change would be of enormous advantage to the French Settlement in Tonquin and in Saigon. French rice of course would thus compete favourably with Indian rice. These are tropical regions, and certainly this proposed change, giving them lower silver and lower exchanges, would give them very great advantage in competing with India in Western markets in the various products of tropical countries.

728. Rice does not go from China to India, or from India to China as opium does?—Not regularly, except in times of famine or scarcity.

729. The competition you apprehend in the case of rice would arise between the two countries as regards exports to Europe?—Well, Saigon rice and Japanese rice, and Chinese rice, and other Eastern rice would come to this country in competition with Indian rice.

730. So far as the price of Indian products exported to China was settled by the export of goods from China, there would be no material effect, would there, from fixing a par of exchange between England and India?—Well, that is a large question of exchange. My opinion is that, if any portion of the balance were settled in silver, in treasure as it would be, it would affect the whole.

731. (*Mr. Currie.*) You say that China pays India something like, as I understood you, five crores, or 5,000,000*l.*, in silver; you take that from the returns, I imagine, of treasure, do you not, of the different countries which import treasure into India? I think you said China pays India 5,000,000*l.*; where do you get that from?—I got it from the Indian statistical abstract.

732. But is it not the case that those shipments from China include the silver that is sent from San Francisco, that under the head China are included shipments from San Francisco?—I cannot tell where the silver comes from; I know it comes from China, and I know it is required to settle the balance of trade.

733. But, if it is true, as I assume it is, that that includes all the silver shipped from San Francisco, that would rather invalidate your assertion, would it not?—I do not see it; my assertion is, that there is 20,000,000*l.* of the exports from India to China, Japan, and the Straits Settlements, and that there are imports from China of 5,000,000*l.*, therefore, there is a balance in favour of India of 15,000,000*l.*, and, of that 15,000,000*l.*, 2,000,000*l.* is imported in treasure this year, and over an average of years it was 5,000,000*l.*

734. (*Chairman.*) But how is the rest settled?—By merchandise.

735. I thought you said that the merchandise left a balance of 15,000,000*l.*?—Yes.

736. Well, how is that settled?—The balance in favour of India, I said.

737. In favour of India, I mean. If merchandise is exported from India to China of the value of 20,000,000*l.*, and there is only imported into India merchandise of the value of 5,000,000*l.*, that leaves a balance of 15,000,000*l.* to be made up; how is that satisfied?—I must have stated it wrong; the balance of 15,000,000*l.* is in favour of India.

738. Yes, of India?—And that comes partly in produce, but a portion of it amounting to——

739. Produce from where?—Produce from China.

740. I thought you told us that the produce was only 5,000,000*l.*?—It does not come direct to India. I see your point now; the shipments are made to this country of tea, silk, and other produce; it is a process of exchange by which the benefit is got of those tea shipments for the payment of debts in India.

741. (*Lieut.-General Strachey.*) You said that the average import of silver into India from China was 5,000,000*l.*, more or less?—Yes.

742. Here we have a statement of the treasure imported into British India by sea. One portion of it is in gold, and the other portion of it is silver. I find that the average for the last 12 years, from 1880–81 to 1891–92, so far from being 5,000,000*l.*, is 1,560,000*l.*, or rather Rx. 1,560,000; and let me add that it would be considerably less, namely Rx. 1,270,000, if you exclude the last two years in which the imports were respectively Rx. 3,600,000 and Rx. 2,500,000, which is quite abnormal, and no doubt was due to special causes which have affected the

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price of silver during those two years?—Well, I worked out my figures from the statistical abstract.

743. (*Chairman.*) To deal with the other productions, before we go further, is indigo a product in which silver-using countries compete with India?—No, very little indigo has come from China hitherto. My argument is that it is largely grown and used in China, and would come if you gave China a much lower exchange than India would have at 1*s.* 6*d.*

744. Well, cotton?—Cotton is also grown in China; it is not largely imported into this country, but it should be greatly stimulated if China had a lower exchange than India.

745. There is a large competition, is there not, between Indian cotton and cotton from America and Egypt?—Yes.

746. Well, but Egypt is not a silver country, is it?—No, it is not a silver country, but it competes. My point is that the competition of Chinese with Indian cotton would be very much more severe if there was a lower exchange in China than in India. These others are gold countries, you know.

747. Yes, but you think that it would create a competition in China?—It might create a competition in China, and in England from China.

748. It would create a competition in England from China?—It would stimulate the growth of China cotton, and it might be taken to England instead of Indian cotton.

749. (*Mr. Courtney.*) You also say that the effect of the change would be to prejudice the importation of Indian cotton as compared with the Egyptian or American in England?—Possibly. I do not make that point.

750. Because the conditions of putting on the market Egyptian and American cotton would remain unchanged, and the conditions of putting on the market Indian cotton would be injured?—Yes.

751. (*Sir Thomas Farrer.*) Is it your position that the lowering of exchange is always an advantage to the exporting country; in fact, that it is a good thing to depreciate your currency, so far as that goes?—Well, certainly, between countries of the same currency, most distinctly so. As between India and China, a lower exchange in China would certainly give China an enormous advantage. I have worked that out in some figures, and stated it in another way. At the present rate of exchange of 1*s.* 3*d.*, a sovereign lays down 16 rupees in India, and, at the equivalent China rate of 2*s.* 9*d.*, a sovereign lays down $7\frac{1}{4}$ dols. in China. If the rupee goes up to 1*s.* 6*d.*, the sovereign would lay down only $13\frac{1}{2}$ rupees in India instead of 16; but, if exchange in China should remain the same, at 2*s.* 9*d.*, and did not fall at all, a sovereign would still lay down in China the $7\frac{1}{4}$ dollars, or the equivalent of 16 rupees; and, if the China exchange fell 25 per cent., say, to 2*s.*, it would lay down 10 dollars in China, or 22 rupees, whereas the same sovereign would only be laying down $13\frac{1}{2}$ rupees in India.

752. (*Chairman.*) Of the products imported into India, the $13\frac{1}{2}$ rupees might buy as much as the 16 rupees did?—The buying power of the rupee might remain the same.

753. Not necessarily, would it?—Of all goods bought in this country and imported into India, the 13 would buy what the 16 pay for?—The price would have to fall very much in India; it need not fall in China.

754. The price would not really fall in that case, would it?—You lay down a sovereign in China; it produces 22 rupees. If you lay one down in India, it produces only $13\frac{1}{2}$ rupees.

755. I was speaking of goods imported into India from a country with a gold currency; you would get $13\frac{1}{2}$ rupees instead of 16 for your products, but of those rupees $13\frac{1}{2}$ would buy what 16 did before?—You are now speaking of imports into these countries. I am speaking of the exports from those countries.

756. In looking at the effect which would be produced in India, you say you can only lay down $13\frac{1}{2}$ rupees for a sovereign. You must look at what those $13\frac{1}{2}$ rupees would purchase under those circumstances?—I think you must take a wider view of it than that. It seems to me that Indian produce would have to fall very much to be saleable in competition with China and other Eastern produce under those circumstances. Well, unless India can move its produce it cannot import, or if it did it would turn the balance of trade against itself.

757. Well, now, take the countries with a depreciated currency, owing not to the fall of silver, but to the financial condition of the country. In some of the South American Republics there is a very low exchange. Do products that come from the countries with a very low exchange all compete in such a way as to injure our Indian trade? Take coffee from Brazil, for example?—Well, I think, you come there to a question that is not one of exchange at all, it is a question of the producing power of coffee in Brazil; you come to an entirely different question there.

758. You mean whether they can produce more?—Yes, they can produce a great deal more, and at very much less expense, than they can in India. You are getting to another question altogether there.

759. But those conditions have remained the same, have they not, during the time that exchange has been falling?—Well, there exchange has been falling.

760. Well, assuming for the moment the other conditions, as far as one knows, to have remained the same, is there evidence that that fall, which has been heavy, has affected Brazilian exchange?—Very heavy, yes.

761. Is there evidence that that has injured the coffee business of India?—The coffee business of India has failed from another cause altogether. It has failed from the failure of the coffee plant in Ceylon.

762. But is there not a good deal imported into England from India or from Ceylon?—Not a large quantity—there has been as bad a blight as the potato blight in 1847, and you cannot tell how far it is affected by exchange, or how far it is affected simply by natural causes.

763. Take hides; do hides from the Argentine Republic compete with hides from India?—I cannot tell you.

764. But would it not be rather important to see whether they do, because there you have had a fall in exchange, a very heavy fall; would it not be important to see how far experience shows that the Indian products, which compete with the products of those South American countries which have had these heavy falls of exchange, have suffered?—I think it would be entirely misleading, for this reason. In the one case you are dealing with a fall in paper money, and in the other you are dealing with the question of the fall of silver,—entirely misleading.

765. They may not be exactly the same cases, but why would they be so entirely different?—But I am not arguing that point, I am arguing this point, that, as between India and China, China would have an advantage over India.

766. Yes, but then one wants to test that. You say so *à priori*; one wants *à posteriori* to see whether that has proved to be the case, in the competition of countries having a fixed par of exchange with countries with a depreciated currency?—Well, I do not think they are the same thing at all; I think a fall of exchange or a fall in the value of silver from an exchange that varies in consequence of the balance of trade——

767. But it is a depreciated currency, is it not?—Well, it is not a currency at all, it is a barter.

768. I am speaking of the silver; silver is a currency, is it not?—But silver is not the currency of South America.

769. Do you recognise it as an evil or not, to have a depreciated currency?—As between two countries like India and China, I certainly do. I am not prepared to argue the question out in regard to South America.

770. No, I am not speaking of the relations between India and China, but of a currency in China or any other country. Do you regard it as a good thing to have as your standard of value that which is depreciating constantly?—I think the best thing is to have one that is steady.

771. (*Mr. Courtney.*) Has the trade of Russia been stimulated by the fall in the value of the rouble?—I cannot speak of the trade of Russia, I really have not gone into that.

772. But do you think it would be; do your principles carry you to that point?—No.

773. (*Sir Thomas Farrer.*) I suppose, if it has any effect, it is to increase the exports of India; if the lower exchange has any effect, from your point of view, it is to increase the exports of India; that is the effect you attribute to the lower exchange, is it not?—Well, it ought to increase the exports of India; but the point I am trying to make, and beyond which I do not care to go, because I do not think I have studied the question enough, is that, as between India and China, the lower exchange of China would give China a greater advantage over India in those products which China produces in common with India.

774. (*Chairman.*) As between India and China there can be no experience, because the state of things has not existed?—There has been no experience of that, there cannot have been.

775. (*Mr. Courtney.*) Lord Herschell wished you to test that principle by cases of which we have experience?—I have not studied that; I would rather not give an opinion; there is no kind of reasoning so dangerous as reasoning by analogy, and the analogies here are not traceable.

776. (*Chairman.*) Now as regards Indian export trade to China, Japan, and the Straits, you say that the balance is 15,000,000*l.* per annum in favour of India?—Yes.

777. And that it is now settled in silver to the extent of 2,000,000*l.* sterling?—These were the figures that I brought out of the statistical abstract.

778. (*Mr. Currie.*) Have you any knowledge as to what form the silver takes, is it in Chinese taels, or what sort of silver is it with which this balance is settled?—I cannot tell you, but I can tell you this from my observation in China, that the silver that you see in China is in all kinds of forms.

779. But does that come to India?—I believe it comes to India, and may be coined.

780. (*Chairman.*) Then your view is that, if you had a mint that was not always open to silver, the silver might be unsaleable?—Yes.

781. And you think the opium trade would be seriously diminished?—Yes, and I think there would be a very large competition in China with Indian mills.

782. Do the cotton mills in China at present much compete with the Indian?—They are putting them up, and they have a very large number of them in Japan.

783. Why do the products of Indian mills go to China now?—Well, there is a par of exchange between India and China now.

784. But there is no advantage in the exchange as between India and China?—There is a great advantage as compared with the exchange between India and England.

785. There is no advantage as between India and China?—No, but there is a par; supposing that the product of these mills had to be paid for in silver, that product would be coined into rupees now.

786. That I understand; your point is just the same as about the opium, that the silver which they pay for the cotton goods that they get from India could not be turned into rupees?—Could not be turned into rupees.

787. It could only be sold as silver at the price of silver?—It could only be sold as silver.

788. Do you think that they would replace the Indian goods by making them themselves?—Undoubtedly the number of mills would be increased.

789. But, if they can make them themselves now, why do they not?—Well, there is no advantage just now; there would be a great advantage then.

789*a*. Do they grow the cotton in China?—Yes.

790. Do you think that they can make the cotton goods on as advantageous terms as India?—Quite.

791. But then, in the end, is it not likely that that competition would be very serious, whether you interfere with the exchange or not?—I think it is on the growth now, but it would be greatly stimulated.

792. What would be the effect upon the competition, so far as it exists, between England and India, in the trade in cotton goods?—It would be favourable to England.

793. So far you have dealt with the Indian export traffic?—Yes.

794. Now, what would be its effect as regards Indian import trade from England and other countries?—Well, if I am right in saying that the export trade would be very much interfered with, both to silver countries and to gold countries, then India would not be in a position to import. It is our experience in trading with the East, that they usually import from this country when they have been able to move their own products freely. That is the first step. If from any cause there is a check upon the movement of the produce, it checks exports; and, in consequence, there is less import trade.

795. Is wheat one of the products that you think would be affected in the way in which you describe?—No: I have excluded wheat, because wheat is not grown in any quantity in China, Japan, or the Straits.

796. There is a very large export from India?—Well, it is a growing export; it is not very large. I think it is about 5,000,000*l.* or 6,000,000*l.* sterling.

797. (*Mr. Courtney.*) But why do you exclude wheat? I thought you said that cotton from Egypt would be affected by the competition of cotton from India?—Not from Egypt. I said the cotton in China would be stimulated.

798. But I thought you also said that, although the conditions of the production of cotton in Egypt would be unchanged, since the conditions of putting cotton from India upon the English market would be changed, there would be an alteration?—To that extent there would be, but I do not think that would be material.

799. But to the same extent, material or otherwise, wheat would be affected?—Yes, to the same extent.

800. (*Chairman.*) Then, in your view, the result being largely to diminish the exports, the imports must necessarily be diminished too?—Yes.

801. (*Sir Thomas Farrer.*) I should like to ask you, if you look at it from the other point of view, the English point of view, would not our having the same standard as India tend to increase the exports of England to India, and would not that be as important an effect as increasing the exports from India to England?—I do not think that would have a very large effect, unless India were exporting. If India has not the money realised to pay for goods, the rate of exchange does not matter very much as between India and England.

802. (*Chairman.*) In your view, then, nothing ought to be done to fix the exchange in India, so long as silver is left free to fall?—No, I think that, unless you have a general arrangement, an international arrangement, it would be injurious to India and injurious to our international trade.

803. But, supposing you cannot secure an international arrangement, do you think that the continuous fall is a serious matter?—Yes, it is a serious matter; but, personally, I hold the bi-metallic view. But, as a choice of evils, I would rather that the present policy

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of what is called drift went on, than attempt to deal with it in a partial fashion by adopting a gold standard in India. I think we could deal in a sort of way with our difficulties as they arise; whereas, if you have one rate of exchange for one portion of the East and another for the other, I see nothing but dislocation and immense perplexity—the most dangerous complication. I would like to impress upon the Committee, if I might be allowed the point, that, if India did go on importing without exporting, she certainly would lose on her balance of trade, and that that would be a very much more serious problem for the Indian Government to face than the present loss on exchange.

804. That is assuming that her exports would largely diminish?—Yes.

805. (*Mr. Currie.*) But could she import largely without exporting?—No, I do not think so. I think, if she attempted to do so, that she would not be able to pay for it; she would lose her balance of trade.

806. (*Sir Thomas Farrer.*) In fact, to give more and get less would never answer to her?—No.

807. (*Chairman.*) Now, what do you take to be the effect of a stoppage of all free coinage of silver?—Well, I think it would tend to contract the currency, which, being based on gold, would, so far as India is concerned, mean a change to an appreciating currency. An appreciating currency disturbs, dislocates, and distresses, the business of a country of wealthy producers like England; but it would tell with infinitely more destructive effect on a country of poor producers like India. So far, in India the buying power of the rupee is not materially altered. India has hitherto been saved from the extreme danger consequent on a fall in the price of its internal commodities due to an appreciating currency.

808. But do you say that the rupee is a depreciating currency at present?—Well, that is a point open to some dispute; but I think it is generally admitted that the buying power of the rupee is about what it has always been.

809. Its intrinsic value, as compared with gold, of course is much less?—Value as compared with gold? That is another question; I am simply dealing with its buying power in India. That I do not think has depreciated.

810. Then would it necessarily follow that, if the free coinage of silver were stopped and the Government coined what was found to be necessary, the prices would change in India, and you would not have an appreciating currency?—Oh, if the Government went on coining as much as at present, it certainly would considerably lessen the risk.

811. But take it that there is more coinage current in India now than is necessary for the purposes of the population?—It is absorbed, it is not in currency, it is hoarded.

812. But do you think that prices depend upon the amount of currency which is coined and put in circulation?—I think the prices very largely depend upon the amount of currency.

813. Do not many take the view that the amount of currency depends upon prices, rather than prices upon the amount of currency?—Well, it is a disputed point, no doubt.

814. (*Mr. Courtney*). But was not your point this, that, if we adopted a gold standard in India, you would then change to a currency which would appreciate?—Yes.

815. Without reference to the question whether silver is depreciating or stationary?—That was my point.

816. (*Chairman.*) I understood your view to be that there would be an appreciation because of the restriction on the coinage of silver; that was not your meaning?—That has something to do with it; my words were: "The stoppage of free coinage of silver would tend to contract the currency, which, being based on gold, would, so far as India is concerned, mean a change to an appreciating currency."

817. Then it is the fact that it is based on gold which is your main point?—That is the most important fact, but the other is an important one also.

818. That of course depends upon the question whether to any, and, if so, to what, extent gold is an appreciating currency?—Of course; oh, undoubtedly.

819. Whether it is largely so or not, that also is a point in some dispute?—There is some dispute; about that, I think, there is none.

820. If the currency were to appreciate in India, in your view the rents and fixed charges of all sorts would have to be reduced?—Yes.

821. And the land tax might have to be revised?—Yes.

822. Do you apprehend danger, too, from demonetizing the hoarded uncoined silver and ornaments?—I apprehend the extremest danger from that. I think that you would then have a scramble for gold, and hoarding of gold; and you would have a process immediately begin of getting quit of silver in India, which would be a revolution, as we know India has been the great absorbing part of the world for silver.

823. By demonetizing, you mean ceasing to coin freely?—Ceasing to coin freely. I mean that those ornaments which are hoarded can be taken now and turned into rupees; they could then no longer be turned into rupees.

824. Supposing you had a gold coinage in India, and opened the mints to it, do you think that the hoarded gold would be largely coined?—I think there would be more gold hoarded than gold brought out. I think the tendency would be to hoard gold in place of hoarding silver.

825. But, if the silver that is hoarded comes now to the mints in any considerable quantity, why should not the gold that is hoarded do the same?—I have no doubt that some gold would come—I have no doubt of that—but I think that there would be another tendency for gold to be hoarded. Just think of the quantities of silver that go into India now and are absorbed, that never go near the mints, and I think you may conclude that a similar process would immediately begin with gold.

826. Yes, but is it your view that they hoard that silver, because the mint is open to silver?—I have no doubt whatever that that is a very strong motive.

827. But they hoard gold, though the mint is not open to gold?—No doubt they do that, and probably they would hoard it more if it were the more valuable reserve; they look upon it as a reserve.

828. (*Lieut.-General Strachey.*) May I ask if you have any personal knowledge of the people of India?—Except from reading and casual cold season visits to India, I have not. The fact is quite clear that 10,000,000*l.* to 15,000,000*l.* of silver is absorbed into India every year. By parity of reason you may expect the same thing in gold. But, however, I am not an authority on that subject.

829. (*Chairman.*) Do you know what was the value of the rupee when the land tax was fixed?—That I would not like to answer right off; but I think it was about par.

830. (*Mr. Courtney.*) About 2*s.*?—About 2*s.*

830*a*. What do you mean by the fixing of the land tax?—Well, of course, there is the Cornwallis settlement in Bengal; but the other land tax in India, I understand, is fixed from time to time. I understood you to refer to the Cornwallis settlement.

831. (*Chairman.*) You have just referred to the Bengal settlement; that is what I meant?—Yes.

832. You apprehend that there might be a tendency to get rid of silver, if it became, as you say, discredited?—If silver were no longer money, and could no longer be freely coined, I suppose there would be a tendency to get quit of it. I may be quite wrong, of course.

833. Then would you state what, in your opinion, would be the effect of closing the Indian mints and the adoption of a gold standard, on the interest of "the further East"?—Well, I do not see that the

question can be divorced from the consideration of that subject, either in regard to the reaction which that effect would have on India itself, or on the British Empire as a whole, of which India is but a part. The commercial intercourse between India and the Straits and China and Japan, and Great Britain and the Straits, China, and Japan, is enormous. There is also the effect to be considered upon our silver-producing Australian Colonies. I wish to put in these figures, showing th Indian exports and imports, and also those of the "further East." The former amounted in 1891–92 to 109,000,000*l.*, taking the rupee at 1*s.* 3*d.*; the exports were 67,000,000*l.*, and the imports 42,000,000*l.*, amounting in all to 109,000,000*l.* That was the total trade of India in 1891–92. The trade of China, the Straits, and Japan—I will give you the details if you wish them. Perhaps it will save time just to give you the total; it is 110,000,000*l.* sterling. The following are the detailed comparisons:—

1891–92.	£	£
Indian Exports—		
Rs. 107,85,10,000 at 1*s.* 3*d.*	67,406,875	
Indian Imports—		
Rs. 66,58,30,000 at 1*s.* 3*d.*	41,614,375	
Total Trade - -		109,021,250
	£	
China Exports, 1891—		
In Haekwan taels, 100,947,949 at 4*s.* 4*d.* -	21,872,034	
China Imports, 1891—		
134,003,863 at 4*s.* 4*d.* -	29,034,169	
Total Trade - -		50,906,203
Straits Exports, 1891—		
$134,783,145 at 2*s.* 10*d.* -	19,094,278	
Straits Imports, 1891—		
$144,864,526 at 2*s.* 10*d.* -	20,522,474	
Total Trade - - -		39,616,752
Japan Exports, 1891—		
Yen or dol. 79,327,272 at 2*s.* 10*d.* - -	11,238,030	
Japan Imports, 1891—		
Yen or dol. 62,927,268 at 2*s.* 10*d.* - -	8,914,696	
Total Trade - -		20,152,726
Grand Total - -		110,675,681

But in the above Hong Kong is not included, nor is Bangkok or the Philippine Islands. They may be classed as silver-using countries.

Hong Kong, Philippine Islands, and Siam import and export to the value of at least 20,000,000*l.* in addition.

834. The trade of China with whom?—The total exports and imports from China, Straits, and Japan, are 110,000,000*l.*, as compared with India's 109,000 000*l.*; but you have to add to that an estimate, because I cannot get figures, and figures do not exist, for the trade, *i.e.*, exports and imports, of Hong Kong, Bangkok, and the Philippine Islands. They may be classed as silver-using countries, but I am informed that that estimate cannot be checked. At least it is 20,000,000*l.*, so that you have involved in this question that you are considering not only the trade of India (109,000,000*l.*), but also that of China, Straits, and Japan (110,000,000*l.*), which, with the estimate for Hong Kong, Bangkok, and the Philippine Islands, amounts to 130,000,000*l.* sterling.

835. (*Mr. Courtney.*) How do you get at the figures of the Chinese trade?—I got these through the Custom House returns of the Treaty ports. The Hong Kong one we are obliged to estimate, because there is no duty at Hong Kong.

836. (*Chairman.*) You mean the Chinese Customs at the principal ports?—At the Treaty ports. I have had this very carefully prepared by competent authorities, and I believe it to be quite correct, so that you are not dealing with a small question in dealing with the other aspect of it, namely, as it affects China, Japan, and the Straits, and Manilla.

837. Can you tell me whether the China exports have been increasing or diminishing; you have given them for one year?—Well, I cannot, I have only got this for the year 1891–92; I cannot give you that.

837*a*. Do you know anything of the competition between Indian and Chinese tea?—I am not in that trade; I know generally that Indian teas have been competing very successfully with China tea.

837*b*. That has not resulted from any disadvantage in exchange?—None whatever, because the exchange between India and China and gold countries of course is the same as regards India or China; but my point, that I have tried to make before, was that a very different state of affairs would ensue if there was a lower exchange between China and gold-using countries.

838. That would depend upon whether the lower exchange counterbalanced the advantages which India now possesses over China in the tea production?—Yes; exactly so.

839. Then, as regards the capital sunk in industrial works, wharves, shipping—enterprises of that sort—it is very large?—It must be enormous. There is no getting at any figures. I have tried very hard to get some figures on that subject, but undoubtedly it is very large; and it is either borrowed upon in gold, or it is gold invested in that form in China, Japan, and the Straits. It is the merest sort of estimate that I have been enabled to get at. It has been shown that the investments in the Argentine in that form amounted to 109,000,000*l.* sterling, and it is argued that the investments in China, Japan, and the Straits in that form must be very much larger.

840. But how would that suffer from the suggested scheme of fixing a par in exchange?—A fall in exchange would make the returns from that capita miserable, unless you could get up freights and dock dues, and all kinds of charges of that sort in the East which, I am informed, would be utterly impossible.

841. But, if China and Japan are going to benefit to the extent you anticipate by fixing the exchange, would not these enterprises benefit too?—I do not think so; I do not think that the Chinaman would pay another dollar, an extra dollar, for his dues, because he happens to be getting the same price for his produce. I think it would be in China exactly as it proved to be in India, that the buying power of the dollar would be unchanged.

842. But, however, you are not now dealing with anything from which India suffers, or any remedy for India alone, or any disadvantage to India from the change suggested by the Indian Currency Association. All this points to the loss, from the fall in exchange, which would arise to the English who had invested money in China and Japan?—Yes; I think the havoc that would be worked in Lombard Street from this cause would be greater than the trouble we had in the Argentine.

843. (*Mr. Currie.*) I come from Lombard Street. Is it not the fact that the capital invested in public loans, municipal loans, railways, banks, in India, is English capital? Is there anything similar to that in China—public debt, railroads, owned in this country?—China has a public debt.

844. Owned in this country? it is insignificant?—It is now becoming very small. They are paying it off every year.

845. They have no railways, I think?—No railways. I am speaking roughly. I think the railroad investments of the Argentine are——

846. I certainly was staggered to hear you say that the investments of British capital in those countries are equal to the investments of British capital in the Argentine. I do not see what shape they could take?

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—It is only an estimate; I only mention it for what it is worth. There is a very enormous investment.

847. (*Chairman.*) That havoc which you anticipate is coming if we leave things alone; according to you, nothing but bimetallism could prevent that?—Oh, I beg your pardon, if exchange falls very much more, this thing will be tremendously accentuated; if exchange falls in China, Japan, and the Straits.

848. You apprehend it is going to fall in China and Japan?—I do not think the exchange would fall very much in China and Japan, if things were left alone; it would be a gradual matter; I do not think it will be anything like the colossal fall you will have, if you stop the coinage of silver in India.

849. It is your view that you would have a sudden fall, caused by fixing the ratio?—Yes, at 1*s.* 6*d.*

850. And shutting the mints?—Yes.

851. You doubt the feasibility of the proposal to establish a gold standard in India, without a large amount of gold in India?—That is my opinion. Of course my opinion is only worth what it is worth, I do not profess to be an authority on that matter; I cannot see anything else for it.

852. And in that case what do you think will be the effect?—I think there will be an enormous appreciation of gold in this country. It is generally supposed we are suffering, at any rate to some extent, from that now; we would suffer still more by the additional burden of gold going to India.

853. That, you are aware, is a disputed point, as to whether we are suffering actually from an appreciation of gold?—To some extent it is disputed; I think there is a very large body of opinion that very decidedly believes in our so suffering; and I think the dispute is more in regard to the question whether the appreciation of gold arises from the scarcity of gold or the demonetization of silver; I think that is the point in which the difference of opinion chiefly arises.

854. But a good many think it would be more correct to speak of a depreciation of commodities than an appreciation of gold, do they not; that that which has changed most is not the stock of gold, but the quantity of commodities?—Some people think that, yes.

855. The stock of gold is actually larger than it was; is it not increasing year by year?—Oh, it must increase every year to some extent certainly, but commodities certainly increase also.

856. Yes, but commodities increase enormously, do they not, much more than the changes in gold? if you compare the commodities of to-day with the commodities of 30 years ago, there will be a much greater change, will there not, than if you compare the gold of 30 years ago with the gold of to-day?—Certainly, I do not doubt that. That confirms my idea, that we are suffering from the appreciation of gold. If there are more commodities, gold has got to do more work. We will not agree about that, I daresay.

857. The commodities which may be described as luxuries have largely gone up in price, have they not?—I do not know. Tea used to be considered a luxury; it has gone down a great deal in price. Silk has gone down in price.

858. Well, tea; perhaps people would differ as to whether it is to be called a luxury, or one of the ordinary necessaries of life.

859. (*Mr. Currie.*) But articles which are restricted in quantity, pictures, works of art, how would you say as to them; have they gone up? Articles that could not be reproduced?—I would say they have gone up in price.

860. They could hardly do so, could they, if gold were scarce?—I think the very fear of the increased call upon gold itself, apart from the fact, would have a very bad effect upon this country. The very fear, the very panic on account of more gold being required for currency purposes.

861. (*Chairman.*) Have not the means of economising gold, and the extent to which transactions are carried out without any use of gold at all, largely increased?—Yes. I do not know where we would have been but for that; there is no doubt about that.

862. And may we not proceed further in that direction, to such an extent that any fear of an appreciation of gold would become a very vain fear?—I doubt that very much. I think we have got to the full extent of what can be done in that way.

863. We may have in England, but do you think the world has?—Well, it depends. In some portions of the world you may certainly get an advance of civilisation.

863*a*. But would you say that all gold-using countries have?—I think so.

864. Is there as much economising of gold in, say, France, as there is in England?—Well, it is difficult to speak of France. France has chiefly an internal trade—there is no very large international trade. Of course, if France were developing an international trade, she would develope bills of exchange, and so on.

865. (*Mr. Courtney.*) The stock of gold kept in the bank at all events is much greater in France?—Much greater.

866. Does not that point to a possible economy there, if other methods were adopted?—I do not know exactly. There are a great many notes out against that gold.

867. (*Sir Thomas Farrer.*) Do you apprehend great danger from what Austria is doing?—That is all tending in the same way—absorbing more gold.

868. (*Chairman.*) Then, in your view, the process which is going on is continually tending to a greater strain upon gold?—I think so.

869. And do you think that, if that process goes on, it would imperil our national gold standard?—I think it would tend in that way.

870. In what way? What would be the effect, do you suppose, that would be produced?—Well, I think our supplies of gold, our reserves of gold, are miserably small as compared with other countries; and, if you are going to put a greater strain upon gold, you are certainly diminishing those reserves.

871. Is the reserve insufficient for any of our purposes?—I think you will find that, whenever there is the least attempt of prices to get up or trade to expand, immediately the Bank pulls us up.

871*a*. Do you mean by a higher rate of discount?—Yes.

872. Then you think a low rate is good for trade?—Not too low a rate; too low a rate is an evidence of a want of enterprise, of course.

873. (*Mr. Currie.*) Then I think your objections, those you have stated lately, are more from the English point of view than from the point of view of India?—At the present moment I am looking at the thing from the English point of view entirely.

874. (*Chairman.*) You have dealt hitherto with the case on the supposition that the ratio to be fixed was a ratio considerably higher than the present one?—Yes.

875. Supposing that something nearer the present ratio were to be fixed, that would diminish some of the evils which you have suggested as likely to arise, would it not?—It might to some extent, but it would not get over my great difficulty as to the payment by China to India in treasure that would be perhaps unsaleable, and the demonetization of the reserves of silver belonging to the Indian people.

876 Do you think that the closing of the mints to the free coinage of silver, and giving the rupee a fixed relation to gold at the value of 1*s.* 6*d.*, or at whatever other value might be fixed, would not secure a par of exchange between gold and silver countries?—Certainly not.

877. There you are including in silver countries other countries than India?—Yes; the Straits, China, Japan, and Mexico.

878. You mean all silver countries generally?—Silver currency countries generally.

879. (*Mr. Courtney.*) Including India in that case?—Excluding India in that case. And I have tried to show that the trade of these countries is greater than the trade of India.

880. (*Mr. Currie.*) But so is the trade of the United States, for instance, is it not?—There is a large internal circulation of silver in the United States; it is only tender for internal trade in America.

881. But still it is a gold-using country. It has a gold standard?—It has a gold standard.

882. There is no free coinage of silver in the United States?—There is no free coinage of silver in the United States, and I do not include the United States in my estimate. I am dealing with China, the Straits, and Japan.

883. But why is that peculiar? Why is the fear so great, if India has hitherto been able to compete with gold-using countries?—I was not talking of the question as regards the competition between gold-using countries. I was talking of India's competition with silver-using countries.

884. Yes, but India is competing successfully with gold-using countries, being a silver-using country?—For such articles as she produces—tropical articles—she can compete with gold-using countries, but she will not be able to do so if other tropical countries have a lower rate of exchange than she has.

885. (*Chairman.*) Your point is that it would give an advantage to the silver-using countries that compete with India?—Enormously.

886. Which they have not hitherto had; the greater the fall, the greater the advantage?—Yes.

887. Is there any limit to that; supposing the rupee fell to 1*d.*, would the advantage then continue?—That is raising a very large point. I do not think 1*d.* is within the "region of practical politics"; but, supposing silver were to fall only 25 per cent., I have shown you that you would lay down 22 rupees in China, as against 13½ rupees in India for a sovereign.

888. You see we are dealing not with a matter of which we have experience, but with what is accepted *à priori;* one must see why you place a limit upon it?—What possibly might happen would be this: the usual law in regard to precious-metalled currency might be reversed, and silver might go down to something like its cost of production, which I believe is estimated at something like 24*d.* the ounce. That would be the limit I should consider of possible fall, 24*d.* the ounce.

889. (*Mr. Courtney.*) But your principles would carry you on till the rupee fell to 6*d.*, if silver could be produced profitably at that rate?—Yes, certainly.

890. (*Sir Thomas Farrer.*) I should like to ask you one general question. You have paid great attention to the mischief which the present state of exchange inflicts on the trade between Lancashire and India?—Yes.

891. Do you think that this mischief arises principally from the lowering of the exchange or from fluctuations in exchange?—Oh, from fluctuations. We do not care what the exchange is in Lancashire, if it is steady.

892. You do not care what the rate of exchange is in Lancashire?—For my part, the lower you fix the rate of exchange, the better. There would be less chance of further fluctuations if it were fixed low.

893. (*Mr. Courtney.*) Does your answer refer to the condition of the trader or the manufacturer?—Both.

894. It does not matter to the manufacturer how low the exchange is?—Well, no, I would not exactly say that; but within present limits—anything like present limits—it would not matter to the manufacturer what rate of exchange was fixed.

895. (*Chairman.*) I thought I had heard it suggested that the low rate of exchange was a disadvantage, inasmuch as a given number of rupees in India meant a lower gold price, and that a lower gold price meant a considerable difficulty?—I quite agree with you there, and certainly I agree with Mr. Courtney also, that, if you went very much lower, it would be against the manufacturer undoubtedly.

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896. (*Mr. Courtney.*) Do not say you agree with me; I only asked you a question.—I beg your pardon; what I meant to say was this: that at anything like the present exchange our manufacturers can settle quite well down to and work to the prices which would be returned from India. Even the present low exchanges are such that, if we could get them steady, I believe that Lancashire could settle down perfectly and profitably to those. But the position of Lancashire at present is this: that there are so many fluctuations, and that these fluctuations have in the main been downwards. Lancashire's mills are driving on; she cannot wait till the price adjusts itself to the fall in exchange, whereas the native in India can wait, and will, till Lancashire takes his price. The consequence of that is that the loss in exchange practically comes out of the Lancashire manufacturer. A merchant, like myself, does not feel it so much; at any rate, to the extent that a manufacturer does. I could usually safeguard myself, either by getting a bank to fix me my exchange, or I may, like the Indian buyer, wait till the Lancashire man takes my price.

897. (*Chairman.*) But do you know that many of the Indian buyers are now crying out about the evils of the fall in exchange?—It is more the evils of the fluctuations.

898. I mean of the fluctuations?—It is the fluctuation of the exchange.

899. (*Sir Thomas Farrer.*) Then those evils of a fluctuating exchange would be remedied, would they not, by the adoption of a gold standard, supposing it to be practicable—those particular evils?—Of India; as far as India is concerned?

900. To the trade between Lancashire and India?—To the trade between Lancashire and India; but my argument is that Indian exports will be so much destroyed.

901. I quite understand the other part of the argument, but, so far as the evils between Lancashire and India are concerned, these evils would be cured?—

902. (*Chairman.*) The trade between Lancashire and India would be injured, because, Indian products being interfered with prejudicially, India could not buy as much Lancashire goods as she can now?—Exactly so. Then there is the other question which I cannot shut out from my mind; the effect upon the export trade of this country to China, Japan, and the Straits, where you would have a tremendous fall of exchange, in my opinion.

903. Supposing silver to continue to fall, and bimetallism not to be adopted, have you any idea how the difficulty could be met in which the Indian Government would find itself?—Well, I suppose by increased taxation.

904. That you conceive would be a very serious matter?—A very serious matter.

905. And that must affect prejudicially, must it not, the position of the inhabitants of the country as regards what they can purchase?—Undoubtedly, but not nearly so much as the destruction of its export trade.

906. (*Mr. Currie.*) I think you stated earlier in your evidence, that you thought the proper way to settle the grievance of the civil servants would be to allow them to remit a portion of their savings in sterling?—Yes.

907. Have you formed any estimate of what that would cost?—Not closely; I have thought about it, but I would not like to go into figures.

908. (*Chairman.*) Have you formed any opinion as to what would be the effect of adopting a suggestion that an import duty should be put upon silver?—I have not thought very much upon that. It seems to me that you still would have a fluctuation in exchanges, only at a higher level.

909. It would afford an addition to the revenue of India?—Possibly it would not get over your difficulties in regard to your exports from India to silver-using countries; and, if you stopped the free coinage

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of silver, it would not get over your difficulties about demonetizing the reserve capital of the people of India.

910. But, supposing you put a duty upon it, if it did not limit the import of silver into India, it would afford to the Indian revenue a considerable addition?—No doubt.

911. If, on the other hand, it checked the import, would it not tend to increase the price given for the Indian Council bills?—Yes, I think it would. It would, however, send down the price of silver more.

912. (*Sir Thomas Farrer.*) You speak of the great evil that would be inflicted upon the trade of India by the silver-using countries of the East; have you paid any attention to what has happened in the Dutch colonies in the East, since they adopted the gold standard?—I have not gone closely into that; but I say the same about them that I said about South America, the conditions are quite different—entirely different.

913. But why is the circumstance of Java so different from that of India?—Java has not a great international trade like India has.

914. There is a very large trade, I think, between Java and the East?—There is a considerable trade; but I think, if you look into it, you will find it is a very different matter from India.

915. You have not looked into it?—I have not looked very closely into that; I have no trade with Dutch colonies at all.

916. (*Chairman.*) You know they export some of the same products of which you have been speaking?—Undoubtedly.

917. Well, according to your view, supposing it is correct, ought not their products to have suffered, as regards sugar, for example, as compared with that of China and India?—I should say that their exports would suffer in the same way as Indian exports would suffer, if you fixed a ratio.

918. (*Sir Thomas Farrer.*) That has been going on since 1875, so there has been time for some experience?—Yes. I should say, if you fixed a gold standard for India, that Holland would suffer by it; she would suffer in the same way as India does from the competition of a silver country, such as the Straits, and China, and Japan, they having a low exchange.

919. (*Chairman.*) Well, why ought not she to have suffered hitherto?—Well, I do not know till I go into the trade, whether she has suffered or whether she has not suffered. It depends on what her products are; her products are very largely coffee, for instance.

920. And sugar?—And sugar.

921. Those are two of the products I think you have mentioned, as regards which you think India would suffer?—She would suffer.

922. You think India would suffer by reason of China's competition, if there were a ratio fixed?—Yes.

923. If that is correct, theoretically ought not that result to have followed to Java, from the competition of both India and China, when she fixed her ratio?—As a matter of fact, I know that a few years ago Java did suffer very much. The loss on Java sugar was enormous. Whether it was due to that cause or not I cannot tell.

924. You are not aware whether those who at the time were disposed to think it due to that cause have seen reason to alter their opinion from subsequent experience?—I tell you I have not studied that Java question; but that certainly was a fact, that there was an enormous fall in Java products a few years ago.

925. (*Sir Thomas Farrer.*) That has been recovered, I think?—I do not know how far it has been recovered. India's production of sugar is not large.

926. (*Lieut.-General Strachey.*) It imports about as much as it exports on the average?—Yes.

927. (*Chairman.*) I spoke of sugar and coffee, because they were two of the products that you had named in your evidence?—Quite so; yes.

928. (*Sir Reginald Welby.*) You were mentioning Japan several times; can you tell me what the currency of Japan is? Is it not a mixed currency of gold and silver?—It is the French system very much; but as a matter of fact it is mostly silver.

929. Yes, but cannot gold be got there? They are considerable coiners of gold?—Yes.

930. Cannot gold be got in exchange for silver, if it is desired?—I do not think so; I never saw gold any time I have been in Japan.

931–3. You remember in the early time Japan coined gold itself?—Japan coined gold; yes, gilt dollars.

934. Grossly under value?—Yes.

935. Then they began to coin silver?—Yes.

936. But I thought they had not altered the fact, and it was a country now using a double standard?—In the same way as France; practically they have adopted the French system, I believe.

937. (*Chairman.*) Would there not be considerable difficulty in bringing a great amount of additional Chinese produce into European markets, unless you developed railways in China? Does not that to a certain extent handicap them?—To a certain extent it does; but it is wonderful how China can export anything that it has got to sell. There is any quantity of labour, and distance is no object. They have a very large system of internal canals, which is the cheapest of all methods of moving produce.

938. (*Sir Reginald Welby.*) You have told us that, if the opinion of the Currency Association were adopted, it would be necessary to reduce the land tax. I am not quite sure why it would be more necessary to do that when the rate was 1*s.* 6*d.*, than it was when the rate was 1*s.* 1*d.* or 2*s.*?—My argument is that the fall in value of all the products of India would be so great owing to the competition of China and Japan, that the growers of those products would not be able to pay the tax. I understand the rate of the land tax in India is changed from time to time according to the value of produce; every 30 years, is it not?

939. (*Lieut.-General Strachey.*) To some extent?—To some extent. Of course in Bengal that is not so; it is fixed in Bengal.

940. I do not think you are correct in saying that the rate of it is changed; it is modified with reference to the value of produce, which is one of the elements to be considered?—Quite so; it is one of the elements, that is all. Of course, if the growers were not getting the prices for their produce, they could not pay the tax.

941. (*Sir Reginald Welby.*) I do not quite see how that follows. As far as it goes, if they are able to pay this at a time when the rupee was so much higher than it is now, I do not see why a slight rise should necessitate a reduction of the land tax. I do not quite see the sequence?—My point is this, that at that time it had not the competition that it would have now from China and Japan, if those countries had much lower exchanges than India.

942. In answer to that, I think I understood you to say at the beginning that certainly of late years the manufacturers of India had been prosperous?—Yes.

943. That being the case, the country on the whole is richer?—Yes.

944. Therefore I do not quite see why it should pay less?—I think you forget that China and Japan would have much lower silver, and that silver would have the same purchasing power. If they had lower silver, it is perfectly clear that they could export to this country at a much lower rate than India could. India, in order to compete with them, will have to take lower prices for her products.

945. Think of what that is, that the exports of India would be less; she would get less prices?—On account of the competition, through their relatively low rate of exchange, of China and Japan, which does not at present exist, or has not hitherto existed.

946. (*Lieut.-General Strachey.*) Speaking with reference to the land revenue of India, or the land tax as you call it, I understood you to say that the cost of Indian commodities in India has hardly varied for a great many years, and, therefore, it would seem, inasmuch as the land revenue is determined to a very

large extent by the condition of the produce of the land, which is almost entirely consumed—with but a small reduction—in the country, that there is no particular reason why there should be any special variation made in the land tax on account of a change in the value of the produce which is chiefly consumed in the country?—It is not all consumed in the country.

947. Mainly?—Well, I do not know what the Indian exports of so many millions consist of; I suppose it is produced. That produce will be thrown back on the country, and the prices would fall.

948. Surely the value of the export trade of India is something extremely small in relation to the whole produce of the country?—Well, that may be. Well, my point is that what you are going to do will lose or interfere with your trade in exports, and to that extent at any rate the value of your products will be reduced, and your revenue will be in danger, whatever the extent may be.

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949. One of the suggestions that has been made as a means of meeting possible charges that may arise from a further fall in the exchange value of the rupee, is that import duties should be put on goods coming into India?—Yes.

950. What is your view as to the probable effect of cutting on import duties?—I do not think that public opinion in this country would ever allow it. Of course it would be a revenue to India to put them on.

The witness withdrew.

Adjourned till to-morrow at 11 a.m.

At the India Office, Whitehall, S.W.

FOURTH DAY.

Wednesday, 9th November 1892.

PRESENT:

THE RIGHT HON. LORD HERSCHELL, THE LORD HIGH CHANCELLOR, THE CHAIRMAN, PRESIDING.

THE RIGHT HON. LEONARD HENRY COURTNEY, M.P.
SIR THOMAS HENRY FARRER, BART.
SIR REGINALD EARLE WELBY, G.C.B.
MR. ARTHUR GODLEY, C.B.
LIEUTENANT-GENERAL STRACHEY, C.S.I.
MR. BERTRAM WODEHOUSE CURRIE.

MR. HENRY WATERFIELD, C.B., *Secretary.*

The Hon. JAMES L. MACKAY, C.I.E., called in and examined.

The Hon. J. L. Mackay C.I.E.

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951. (*Chairman.*) Mr. Mackay, you have been nearly 19 years in India, 6 in Bombay and 13 in Calcutta?—I have, my Lord.

952. You are a partner of the firm of Mackinnon, Mackenzie, & Co.; they have houses of business in Calcutta and Bombay?—Yes.

953. Your firm have the management of the British India line of steamers?—Yes.

954. You have a jute mill and a cotton mill in Calcutta, and considerable tea properties in Assam, Chittagong, and Chota Nagpore?—Yes.

955. In addition, you carry on general merchants' agency and financial business?—Yes.

956. For the past three years you have been President of the Bengal Chamber of Commerce?—Yes.

957. And are sheriff of Calcutta and member of the Legislative Council of the Viceroy?—Yes.

958. You are President of the Indian Currency Association?—Yes, my Lord.

959. Is that an Association which has recently been formed in India?—It was started in May this year, 1892.

960. And it had its origin in the unsettled state of the exchange between England and India?—It had, yes. I might say the unsettled state and the depreciating condition.

961. Has it excited much attention and support in India?—It has, yes, a great deal.

962. Chiefly in any part or in different parts of India?—All through India; all over India.

963. Amongst all classes or only the British traders?—Amongst all classes, European and native, officials and non-officials.

964. Would you tell the Committee exactly what were the conditions of the Indian currency which led to the formation of this Association, and to your active part in it?—There has been a growing feeling in India for a number of years now of dissatisfaction in connection with the depreciation of the standard of value. It has been very much intensified in the past 12 months, not only by the recent unprecedented depreciation, but also by the fluctuations relative to gold which have taken place.

965. The depreciations and fluctuations seriously affect the finances of the Government of India?—They do.

966. Supposing the present state of things to continue without check or remedy, do you think that the result would be a serious one as regards the finances of India?—Exceedingly serious.

967. It would involve a deficiency which would need to be met either by new taxation or in some other way?—Yes.

968. Is it a difficult matter to find new subjects of taxation in India?—It will be a very difficult matter to find new subjects of taxation, I should say.

969. And will it be difficult, speaking politically as well as financially, to increase existing taxation?—I should say politically it would be exceedingly difficult.

970. That is, in the main, the difficulty as regards the Government?—As regards the Government, yes.

971. Now, as regards the officials of the Government, what have you to say?—The officials of the Government of course are suffering very much from the depreciation of the rupee in relation to gold, especially those who have got families in Europe, and who have the education of their children to attend to.

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972. Who are obliged, in fact, to remit a portion of their income?—Yes.

973. And remit it on very unfavourable terms?—Remit it on very unfavourable terms.

974. Well, so far you have dealt with the difficulties of the Government and the officials?—Yes.

975. In your view, the difficulty is by no means confined to the Government and the officials?—No.

976. (*Lieut.-General Strachey.*) Might I ask whether the difficulty that applies to officials, that you first referred to, does not also apply to all Englishmen or Europeans employed in any way in India?—It does.

977. Such as railway servants and people of that class?—It applies equally to them.

978. (*Chairman.*) You say you do not consider that it is confined to the Government or officials, or even Europeans?—No, it is not confined to officials; it is not even confined to Europeans.

979. In what way do you consider it prejudicially affects the people of India, otherwise than by its effect upon the classes just referred to?—The varying value of the standard of India in relation to the standard of the Western nations very seriously hampers trade between India and all gold-using countries, and it is a very serious matter for people to find that the value of their money is gradually disappearing. This involves general impoverishment, and checks prosperity.

980. When you say it hampers trade, do you mean merely that it is an inconvenience to those who are engaged in trade, or do you think the result is that the trade is less than it would be if you had a fixed standard?—I should say that the volume of trade would probably be increased by having a common standard with gold-using countries—with the other principal countries of the world.

981. (*Sir Thomas Farrer.*) The gold-using countries?—With the countries which at present use gold as their standard.

982. (*Chairman.*) And, if no remedy is employed, or no change made, you anticipate that the evils to which you have alluded will be likely in the future to increase and not diminish?—I do not see anything before us except constant fluctuations.

983. And depreciation?—And probably further depreciation.

984. Do you think that India suffers owing to the exchange difficulty, from capital not coming to India which otherwise would find its way there?—I think the country suffers very seriously from this.

985. You think that there would be a large amount of British capital likely to be invested in India, if there was a fixed ratio between silver and gold?—I think there is a very large field for the profitable employment of British capital in India, which would probably be availed of if we had the same standard as England.

986. Do you think the capital available for the construction of railways and other means of development, for the country's resources in India, is comparatively small at present?—I do.

987. In your experience, have proposals for material improvements been answered by the objection of the difficulty of finding the means to carry them out?—Frequently.

988. In addition to railways, what other forms of development are there which you think have been impeded in this way?—There is a very great lack all through the country of good roads. Irrigation canals are also greatly wanted in many parts of the country, and there are many industries which might be started and developed in India if English capital were forthcoming freely.

989. Do you think that there are regions of fertile country, the produce of which it is difficult now to render available elsewhere for want of the means of transport?—Undoubtedly; yes.

990. Have you dealt now in general with the evils of the present system?—I think so.

991. Is there anything that you would desire to add upon that part of the case?—I think not, my Lord.

992. Then, turning to the remedy, your Association proposes the adoption of the gold standard and the abandonment of the silver standard?—Yes.

993. I will first deal with the question of what its effect would be, and next put to you some questions as to the practicability of the scheme, and the means by which it would be best carried out. As regards the adoption of the gold standard, do you think that that would remedy the evils to which you have alluded?—I do.

994. By the adoption of the gold standard, you mean the closing of the mints to the free coinage of silver and the fixing of the ratio between silver and gold?—I mean the abandonment of silver as the standard of value in India, and the adoption of gold as the standard of value instead, retaining for the purposes of convenience the present rupee currency as token coinage.

995. But that scheme involves the closing of the mints to the free coinage of silver?—Undoubtedly; and opening them to the free coinage of gold.

996. Opening them to the free coinage of gold, and fixing a ratio for your existing rupees or future rupees between them and gold?—Yes.

997. You have told us that you think that such a scheme would meet all the evils to which allusion has been made?—I think so.

998. Do you think that it would not create another class of serious evils, as some have suggested?—It would undoubtedly create a certain amount of impediment in the trade which exists between India and China, because at present the trade between India and China has a common standard on which it can be worked; and, if we adopt a gold standard in India, and China retained her silver basis, there will then be a certain amount of impediment between those two trades. Apart from that, I know of no inconvenience that would arise.

999. Do you think that that impediment would be serious?—No, I think not.

1000. It has been suggested to us that, if the silver which comes from China to India in respect of the opium traffic could not be freely coined, that traffic might practically come to an end, and China supply herself with opium in its place; what should you say to that?—Well, I should say that the opium traffic between India and China is probably a doomed traffic in any case. I was reading the last report of the English Consul at Hankow, in which he says that indigenous opium, or, rather, the China-grown opium, is rapidly putting out Indian opium; that the Indian opium is only being used now by the old residents, the old people in China. The younger generation are using the home-grown opium. The opium revenue is a decreasing revenue; it has gone down, I believe, from about 12 crores, at which it was some years ago, to six crores now, and I believe that China, irrespective of any change that India may make in her standard, will grow her own opium as soon as she possibly can.

1001. You do not think that it would be likely to rapidly accelerate that process?—I should say not. I should say that it will probably not accelerate the process. The price of Indian opium is a very fluctuating price; the price of a chest was 1,000 rupees six or eight months ago, or probably a year ago—now it is about 1,270 or 1,300, probably more; a trade that can stand these fluctuations in price is not likely to be killed by a change in the standard of value in India from silver to gold, especially as the change, if it were made, would, I presume, be made by valuing the token coinage at something approaching the present price of silver. India will still require a large quantity of silver to maintain her token coinage, and, if China desires to pay her indebtedness to India in silver, she will still have the opportunity to do so.

1002. Besides opium, there are other articles of produce exported from India to China?—There are, my Lord.

1003. Chiefly cotton goods?—Chiefly cotton goods made in Bombay and Calcutta.

1004. Now, as regards that trade, do you think it would be likely to suffer from the adoption of a fixed ratio, if silver continued to fall in price?—There would be a certain amount of impediment put in the way of trade by the absence of a common standard between India and China, but I do not know why the adoption of a gold standard in India should kill the trade.

1005. The suggestion I understand to be this: that, if silver continued to fall in value whilst your ratio in India remained fixed, it would be likely to stimulate the production of cotton goods manufactured in China, and therefore enable the Chinese to compete better than they do at present with India?—I think the probable erection of cotton mills in China is a very long way off yet; they have not even got railways in the country; I am not sure that they have got telegraphs. I think it will be many years yet before there is much done in the way of manufacturing in China; and I do not know that it would be altogether an unmixed evil to find that China progressed to some extent and opened out her country, and that her people were driven to exerting themselves a little more than they do now. I do not think that such a state of affairs in China would be an unmixed evil for international trade. Probably, if the people of China took to employing themselves in the manufacture of piece goods and twist, they would give up the culture of tea. That might reflect in favour of India again.

1006. Besides the opium and the cotton goods, is there any other great staple of produce export?—No, there is not much else.

1007. You have dealt with the exports from India to China?—Yes.

1008. What does China send to India?—She sends a large quantity of tea.

1009. To India?—Yes.

1010. What is the cause of that, with the very large growth of tea in India?—I suppose it is an exchange of commodities. Bombay sends piece goods, and China sends tea to Bombay in part payment.

1011. (*Mr. Courtney.*) How much in value?—I have not the figures beside me, but I have no doubt they can be got.

1012. (*Chairman.*) Can you tell us the value of the opium and cotton goods exported from India to China; is it very much?—I can tell you the value of the Indian trade with silver-using countries. Will that do?

1013. Yes?—I have got the figures here, my Lord; may I look at them?

1014. Certainly?—Our total foreign trade last year was 174½ millions tens of rupees, of which 130 millions tens of rupees represented our trade with gold-using countries. That is, practically, 26 per cent. of our trade is with silver-using countries, and 74 per cent. is with gold-using countries.

1015. But is that all with China?—Not all; there is a considerable quantity of it with the Straits, Ceylon, and Mauritius. The China figures no doubt can be got in the Government returns.

1016. (*Sir Reginald Welby.*) And Japan?—I think Japan has a gold standard.

1017. Well, we heard yesterday that it had not?—I understand that Japan adopted a gold standard some years ago.

1018. It used to have a gold standard, but I think we learned yesterday that at present it has a silver standard?—There is not very much trade with Japan. I understand that Japan has a gold standard still, but I may be wrong; but, in any case, if Japan has a silver standard, the figures I have given include our trade with Japan.

1019. (*Sir Thomas Farrer.*) And that includes the trade with Hong Kong, Singapore, Penang, and the Mauritius?—Yes; Hong Kong, Singapore, Penang, Ceylon, and the Mauritius.

1020. (*Lieut.-General Strachey.*) The figures are: 1890–91, Indian exports to China, say, Rx. 14,500,000, to Ceylon Rx. 3,300,000, to Japan Rx. 1,200,000, and the Straits Settlements Rx. 5,800,000.

1021. (*Mr. Currie.*) What are the imports from China, other than treasure; have you got them?

1022. (*Lieut.-General Strachey.*) The imports from China in 1890–91 were Rx. 7,000,000, you may say, out of which Rx. 3,600,000 were silver.

1023. (*Mr. Currie.*) So there is only 3½ millions worth of produce from China?—That is all, yes.

1024. (*Chairman.*) And is the rest settled internationally?—It is a three-cornered trade practically with England.

1025. (*Mr. Currie.*) May I ask in what shape does silver arrive from China?—It arrives principally in Mexican dollars.

1026. But is it a direct shipment from China, or is it not a shipment sometimes from San Francisco, which is called from China?—I think it is direct from China, as a rule.

1027. In the form of Mexican dollars?—Yes.

1028. (*Lieut.-General Strachey.*) Have you any reason to suppose that silver is produced in China?—No; of course, there is no silver produced in China. No doubt it is imported from America in payment for the tea they send from China, and other goods, such as silk piece goods.

1029. If I am not wrong, a good deal of the produce of the Calcutta and Bombay cotton mills goes to China?—Yes.

1030. That has been increasing, you know, lately?—Yes.

1031. (*Chairman.*) Then, quite apart from the impediment of trade to which you have alluded, a fear has been expressed lest India might suffer, if she adopted a fixed standard while silver continued to fall and remained the standard of China, from the competition of China with India as regards the products which they both export to third countries?—That would be probably tea—principally tea.

1032. Not only tea, but, as regards a variety of other products, it is suggested that their production would be stimulated in China, and that competition might arise even in products as regards which there is now no competition. The point suggested is that, though the value of silver fell, the Chinese labourers and the Chinese engaged in the manufacture or production would be content with the same amount of silver as before, which would mean less gold, whilst India with her currency fixed would be obliged to insist upon a higher gold price?—That is equivalent to saying, my Lord, that it is an advantage for a country to have a depreciating standard of value.

1033. No doubt that is the view which is taken?—Then, supposing the value of silver became as cheap as sea-sand, would the country using it become more and more prosperous? I do not agree in the theory that a depreciating standard of value can be of any advantage to a country.

1034. Do you think that the depreciating standard has stimulated production in and exports from India of produce which is sent to gold-using countries?—In no way.

1035. You are aware that it has been so stated in the past?—I am aware that it has been stated, but I cannot follow that theory.

1036. Can you deal with it as a matter of fact at all; I mean, pointing to the experience of the past, as throwing light upon the theory?—Well, I could point, my Lord, to the case of wheat, which has been quoted several times. It so happened that, in 1891 I think it was, we had a large export of wheat, when exchange was low, and those who believed that a depreciating standard furthers production in a country, pointed to the export of wheat that year; but I believe our heavy export was almost entirely due to the short crop in Europe—the famine in Russia. This year, for

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instance, we have had much lower exchange than in 1891 or any year before, and we have had a very serious falling-off in the export of wheat. If the low exchange stimulus theory was a sound one, it would be better for India to see silver at twopence an ounce.

1037. Are you able to say whether, in that year in which there was this large export, as you suggest, owing to famine in Russia, the gold price of wheat was higher than it had been in previous years?—In 1891?

1038. Yes?—I think the gold price was lower.

1039–40. In 1891?—I think it was lower, I am not sure.

1041. Higher than what it was in the previous year or subsequent years?—Oh, higher than the previous year, but very much lower than what it was 15 years ago.

1042. What I am now calling your attention to is this: that, if the gold price, in that year of a very large export, was higher than it had been before, it would not seem that the large export arose from the fact that India was better able to compete owing to the low rupee?—The gold price of course was higher, the famine sent the price up in Europe—the short crop in Russia.

1043. And, therefore, the extra supply from India did not come because in competition with other countries she was able to sell cheaper?—In no way. For instance, I think in 1890 we had a smaller export of wheat; I have got the figures here.

1044. I think it would be as well if you gave us those figures?—I might put in those figures; in 1881–82 we exported 993,176 tons.

1045. (*Sir Thomas Farrer.*) Would it not be convenient, if you were to put the rate of exchange alongside the other figures when you put them in?—Certainly; there would be no difficulty in getting that.

1046. (*Mr. Currie.*) And the price of the commodity would be interesting, if you could get that?—I give the price a little further on, in my address at Calcutta on 13th July 1892. In 1873 the price in Calcutta was 100, and in 1892 it was only 103.

1047. (*Chairman.*) That is the Calcutta price?—And the Bombay price.

1048. Yes, but I mean that is the rupee price?—Yes.

1049. But it would be interesting to have, alongside of those two, the gold price, as well as the rate of exchange?—Well, I could get those figures and put them in, if you will allow me. In 1883–84, 1885–86, and 1886–87, exchange was 1*s.* 7$\frac{1}{2}$*d.*, 1*s.* 6$\frac{1}{4}$*d.*, 1*s.* 5$\frac{1}{2}$*d.* The exports were larger than they have been since, with the exchange ruling at lower rates. I will get these figures and put them in.

The following have been the wheat exports from India for the past 11 years:—

——	Tons.	Rate of Exchange.
		s. *d.*
1881–82	993,176	1 7·895
1882–83	707,202	1 7·525
1883–84	1,047,824	1 7·536
1884–85	791,538	1 7·308
1885–86	1,053,025	1 6·254
1886–87	1,113,166	1 5·441
1887–88	676,908	1 4·898
1888–89	880,504	1 4·379
1889–90	689,961	1 4·566
1890–91	716,024	1 6·090
1891–92	1,515,349	1 4·700

That a low rupee does not give larger returns to the cultivators is plain from the recorded course of prices of wheat at Calcutta and Bombay.

Taking the price of 1873 as representing 100, the course of values has been as follows:—

——	Calcutta.	Bombay.
1873	100	100
1880	91	115
1885	72	74
1890	81	84
1892	103	103

We know well that the increase of 3 per cent. in the price this year is not due to the low rupee.

The wheat trade has benefited mainly from the facts that railways, steamers, and the Suez Canal, have enabled us to enter markets which 20 years ago were absolutely closed. Wheat could not be sent round the Cape in any quantity, owing to the long passage causing much damage.

1050. A low rupee does not give larger returns to the cultivators in India, of course?—The rupee has given no larger returns apparently to the cultivators in India.

1051. I do not think it has been suggested that it has given larger returns generally; the point that is made is, that the price always tends to come down as the rupee goes down; that the advantage which India gets, is in being able to get the same number of rupees, which is the same thing, it is said, as the purchasing power of the rupee not differing; and, getting that same number of rupees, to charge a lower gold price, and so compete advantageously with the other producers of wheat. That, I understand, to be the argument?—Yes, that has been the argument.

1051*a*. Not that the cultivators of India got the same gold price, but that they could get the same number of rupees?—Yes.

1052. With that advantage of competition?—That they have not awakened up to the fact that the rupee is not worth what it was.

1053. Well, it is not exactly that; I suppose it would be put rather in this way, that, where people are competing to get rid of their produce, there is naturally a tendency to bring down the price to the lowest point that any of them would be willing to take?—Yes.

1054. That the Indian producer can retain his old position, and yet lower his price whilst the other producers cannot. That gives him the advantage. That I understand to be the suggestion?—Yes, I do not agree in that. There has been a serious rise in the retail prices in India, and there has been no corresponding increase in wages yet.

1055. Do you think that that will have to come?—I have no doubt it will have to come it will have to come if the silver standard is retained. Of course the process of readjustment is a very long one, and in the meantime there is no doubt that retail prices of food grains have gone up very seriously, and the struggle for life is extremely severe now in India.

1056. Has the price of rice gone up?—The price of rice has gone up very materially, especially the retail price.

1057. Why has the retail price gone up so much more than the wholesale?—Probably the exporter has been able to pay a higher silver price for rice, and that has reacted to a very considerable extent on retail prices. Retail prices do not move so rapidly as wholesale prices; they do not rise and fall with the demand; and, if a retail price once gets up, it is exceedingly difficult to get it down again. That, I think, is pretty well the case all over the world.

1058. But, when it reaches the point that people have a great difficulty in paying, must it not come down if a man can afford to bring it down without loss?—People must live, and in India the masses live absolutely from hand to mouth, and supply their necessities accordingly. They must have food to support life, and they have to go on buying their

small quantities of rice; and, once the price of rice is established at so many seers per rupee, it is exceedingly difficult to get the number of seers increased.

1059. Has the wholesale price of rice in silver gone up?—I think the price of rice has gone up: I think Mr. O'Conor's statement shows that the price of rice has gone up.

1060. (*Lieut.-General Strachey.*) These are the proportional prices for the successive years from 1887 to 1892; 103, 110, 131, 144, 147, 162.

1061. (*Mr. Currie.*) You said probably the silver price of rice had gone up very much. I understood that you saw causes to bring it about?—Well, of course, there has been an increase in the population, and no doubt there has been a good deal of land put under other cultivation. Jute, for instance, has increased very materially. The land put under jute cultivation has increased very much in Bengal.

1062. (*Chairman.*) Land which was formerly used for the cultivation of rice has been applied to the cultivation of other things?—Yes.

1063. (*Mr. Courtney.*) And it is to that cause that you attribute the rise in rice?—To some extent, but it is not always easy to trace the causes for the rise and fall in prices.

1064. But you had some cause in your mind apparently?—I say, on the whole, probably people have been able to pay a higher price for rice for export, in consequence of the depreciation in silver, which has led to a higher price for rice.

1065. Why should not that same train of causes apply to the exportation of wheat?—Rice is more or less a monopoly of India.

1066. That does not affect the argument surely?—Wheat is governed more by what Russia and America can produce and sell at.

1067. If the alteration in the price of silver enables the exporter—that is what you said—to give a higher price for rice, quite independently of what might happen outside India, the alteration in the price of silver would enable the exporter of wheat to give a higher price for wheat?—Not if America is able to undersell.

1068. Of course other causes may counteract that; but that is a potent cause, according to your argument. It cannot depend upon the character of the grain?—Well, I do not know; if you take the case of jute, for instance, jute was nine rupees a maund last year, and this year, with exchange much lower, it is about four. It is exceedingly difficult to trace the connection between the standard and prices; I am unable to do it.

1069. (*Chairman.*) Now, with regard to the volume of trade from India, do you think that that has been stimulated, as has been suggested, by the falling exchange? You have said you did not think so in the case of wheat?—I should say the fall in exchange has not stimulated the trade between India and gold-using countries. It may be that there has been what I might call an illegimate stimulus given to trade between Bombay and China, through the depreciation of the standard of value in India in competing with Lancashire. I have no doubt that there has been a temporary stimulus given to the manufacture of twist and piece goods in Bombay, and the export to China through the depreciation of the standard; but I should say that that is not a legitimate stimulus; it is more or less of a protection. But, with all that, I do not think it can be shown that the Bombay mills have on the whole been prosperous under the depreciating standard.

1070. But, if you admit that, would not that rather point in the direction that there is some truth in the view that, if you fix the exchange in India whilst silver in China continues to fall, it would give a stimulus to the China trade where it competed with the Indian trade?—Well, it might to some extent. It is possible that China might compete a little more with India in regard to tea; but India has driven out China tea irrespective of price. Indian tea sells at a very much higher price than China tea does. It is not because India has produced cheaper tea than China, that she has driven China tea out of the market; it is because the two articles are different, and Indian is preferred.

1071. (*Sir Thomas Farrer.*) But, if there was any stimulus, would it not be counteracted by the greater fluctuations of exchange between China as a silver-using country and gold-using countries?—I think it would. I think undoubtedly these fluctuations would, to some extent, counteract it.

1072. And, supposing there is a stimulus of this kind given, is it for the benefit of the country to which the stimulus is given?—Certainly not, I should say.

1073. Does it not come to this, that with this stimulus India gives more of her products for less of the products of the countries with which she deals?—She does, undoubtedly.

1074. And can that possibly be an advantage to India?—I cannot see it.

1075. (*Chairman.*) As regards the growth of tea, which it is apprehended would be prejudiced by the change which you suggest, what have you to say to the Committee?—I have seen a letter published by the Government of India, in reply to a petition sent by a number of the Darjeeling planters, who are under the belief that China may be benefited and India injured by a change of standard, and they petitioned the Government of India against a change in the standard, and the Government of India replied under date the 12th October. I do not know whether that letter has come home.

1076. Yes, we have had the letter?—Well, I have read that letter very carefully, and it deals with the subject in a very much clearer way than I can possibly do, and, to save time, I may say that I agree with the views expressed in that letter.

1077. Another evil which it is suggested might arise from the change is this, that the silver which is now hoarded would be discredited; that it might be thrown upon the market, and that discontent would arise from the fact that it could no longer be converted into rupees?—I should say that any silver that is hoarded is hoarded in the shape of rupees, and these rupees, if the change of standard were made, would have a gold value. The gain on the coined rupees would probably counterbalance the loss on the uncoined silver.

1078. (*Sir Thomas Farrer.*) Is it not hoarded in other forms—ornaments?—I do not think you can call ornaments hoards; you cannot call a bangle on a woman's arm or an anklet on a woman's ankle a hoard.

1079. But is it not a fact that these ornaments are brought to the mint and coined in seasons of distress?—I do not think so. Wherever this has happened, it has been to a very slight extent indeed, if it has ever happened at all. Besides, the opening-out of the country by roads and railways, which a gold standard will facilitate, will do much to prevent scarcity and famine. A famine all over India is unknown. One district may be short, but others have a surplus; and all that we need is cheap and easy means of transport to equalise prices, and to let people in distressed districts move to places where labour and food are to be had. I am aware that some who favour the retention of the silver standard in India urge, as an argument, that the natives who have silver ornaments will complain when they find that they have depreciated in relation to coined rupees. But, in answer to this, I would say that those who want silver ornaments will be pleased when they find that coined rupees will buy more ornaments than before. As a matter of fact, however, I do not believe that the change which will take place in the value of silver through our closing our mints will be noticed to any extent by the natives one way or the other.

1080. (*Chairman.*) Well, then, it is suggested that, where silver is now hoarded, the natives would give up hoarding that metal and hoard gold, and that that would cause a drain upon gold?—I do not know why

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they should do that; I do not know why they should hoard gold then, any more than they hoard gold now. It would have been a very much more paying operation to hoard gold 20 years ago than to hoard silver. It is generally believed that there is a considerable amount of gold hoarded in India now, and there is no inducement to have it coined, as gold is not a legal tender in discharge of a debt; and I think, on the other hand, with free coinage of gold, we should probably have people sending their gold which is in hoards to the mints to have it coined, and it would very likely enter into the currency of the country. I think the importation of gold into India in the last 50 years has been something like 180,000,000*l.* There is nothing to prevent a man hoarding gold now, if he wants to hoard gold.

1081. (*Sir Thomas Farrer.*) Then you think that opening the mints to gold in India, so far from being a drain upon the existing gold applied to purposes of currency in the world, would probably satisfy itself out of the Indian hoards?—I should say it is not at all improbable.

1082. (*Chairman.*) But why should people give up the habit of hoarding and take it to be minted, because gold is made the standard?—There is no incentive to have gold coined now, as it is not recognised as coinage in the country. If it became coinage, there would be a convenience in having it in the shape of coin. The habit of hoarding, too, will gradually die out in India. I believe it is the case that, instead of hoarding their money now, the natives are putting it into the Post Office Savings Banks. I believe there is a very large amount of money being deposited by the poorer classes in the savings banks of India; and there is no doubt the natives are waking up to the fact that it is very much better to get 3 or 4 per cent. for their money than to bury it, and the sooner they give up hoarding the better for the country, and the more they get into the habit of depositing their money with the Government and with the banks the greater will be the general security in the country.

1083. What has been done with the money deposited in the savings banks; is it used for public works, or in what way is it invested?—I believe part of the balance is used for public works.

1084. (*Sir Thomas Farrer.*) Is not a great deal of money lent in India on a sort of mortgage to the ryots?—There is.

1085. People who have collected a little money use it in that way?—Yes, they do.

1086. And get a high rate of interest for it?—Yes, they get a high rate of interest; very much higher than they ought to get.

1087. (*Chairman.*) I think I have taken you now through the various points which have been raised as to the dangers of the remedy which you propose. Is there anything else that you would like to add, by way of meeting any of the arguments that have been urged?—No, I think not, my Lord; but I would invite a reference to three addresses which I delivered in India within the past three months on this subject, copies of which I see are in the hands of the Committee.

1088. Now, to turn to the scheme and its practicability, would you tell us precisely what is the scheme for the adoption of a gold standard which your Association recommends?—They recommend that we should abandon silver as the standard of value in India, and adopt gold as the standard of value; that we should close the mints to the free coinage of silver, and open the mints to the free coinage of gold; and that the present rupee or silver currency in India should be retained as a token coinage, each rupee having a gold value at whatever ratio may be fixed by the Government.

1089–99. (*Sir Reginald Welby.*) With limited tender?—With rupees as unlimited legal tender.

1100. (*Chairman.*) Have you any suggestion to make with regard to the ratio? I think I understood you to say that it ought not to be much in excess of the present price of silver?—I think the ratio that would lead to the least—that would avoid almost all—dislocation would be 1*s.* 6*d.*

1101. That would be a considerable change, would it not?—It would not be a change anything like what we have often had. We have had a rise, I think, from 1*s.* 4*d.* to as high as 1*s.* 9*d.*

1102. (*Sir Thomas Farrer.*) Within what period?—I think within about eight or twelve months.

1103. (*Lieut.-General Strachey.*) Less than that period?—We have had a drop also from 1*s.* 9*d*, to 1*s.* 2½*d.*

1104. (*Chairman.*) That is over a long series of years, of course?—In a period of six years.

1105. (*Mr. Currie.*) May I ask you, do you apprehend that the fixing of a ratio would keep the rate of exchange exactly to that ratio, and, if not, what would be the extent of the divergence?—I should say there would be no divergence or only the turn of the market, perhaps $\frac{1}{16}$th of a penny, one way or the other.

1106. Then you mean it would keep practically to the ratio?—In the main.

1107. As much as between two gold countries?—Perfectly—absolutely.

1108. But would that be the case, if there were more rupees now, either hoarded or circulating, than the country requires?—Well, if gold were not brought to the mints to buy rupees from the Government at the rate of 1*s.* 6*d.*, it would only be because rupees were being sold in the bazaar at something less than 1*s.* 6*d.*; and that would show at once that the currency was redundant, that there was more currency in the country than was required. That could be rectified by the Government raising a loan, say, of four or five crores of rupees, which they could lock up at a cost of, say, 20 lakhs a year, at 4 per cent. on five crores, until there was a demand for the coinage, or they could spend it on public works.

1109. But all such interferences on the part of the Government are to be deprecated?—That only need be done once; it would then be the duty of the Government to see that there was sufficient coinage. The currency would then be automatic, and would be entirely regulated by the public demand.

1110. No, but I understood you to say that, supposing the ratio to be fixed at 1*s.* 6*d.*, if gold would buy rupees at less than that sum, gold would undoubtedly be remitted to India for that purpose, supposing your ratio is 1*s.* 6*d.*?—Yes.

1111. And all private persons wishing to buy rupees could get them for less than 1*s.* 6*d.*; the exchange would fall to that extent, would it not?—No doubt the exchange would fall to that extent; but it would be the duty of the Government to see that that was rectified, it would be the duty of the Government to keep the silver coinage at a ratio so as to maintain the gold value of it.

1112. (*Mr. Courtney.*) It is a necessary part of that scheme, if the assumed ratio is not realised, to withdraw silver coinage until it is?—Yes, perhaps at first this might be necessary, though not certainly so; and, after the ratio was once established, it would not be necessary to interfere again.

1113. (*Sir Thomas Farrer.*) Stop the mintage?

1114. (*Mr. Courtney.*) Not merely stop the mintage, but withdraw silver?—Withdraw it.

1115. (*Mr. Currie.*) Exchange might rise very much above 1*s.* 6*d.*?—It could not do that, because you could always get the rupee for 1*s.* 6*d.* The bullion point would come in.

1116. People might be willing to give more than 1*s.* 6*d.*?—They would never give more than the price at which they could get rupees from the Government.

1117. Is it part of your scheme that the Government should be always willing to sell rupees?—Certainly.

1117*a*. But not to buy gold; the Government is not so willing to do the reverse, and give gold for rupees?—As soon as the equilibrium was established between gold and silver, as soon as the Government

had sufficient gold in their treasury to maintain the equilibrium, it would be the duty of the Government to give gold in return for silver when convenient to themselves, as required.

1118. (*Chairman.*) When it required, or when the people required?—When the people required.

1119. (*Sir Thomas Farrer.*) When anybody having silver——?—When anybody having silver could take it to any of the treasuries and get gold for it.

1120. (*Mr. Currie.*) The estimate of the number of rupees in circulation is roughly made at 250 crores, is it not?—I have seen that estimate, but it is very difficult to say.

1121. What, in your opinion, would be the reserve of gold necessary to make rupees exchangeable against gold?—I should say not more than 15,000,000*l.* sterling.

1122. (*Chairman.*) When you say, take silver and get gold for it, you mean take rupees?—Take rupees of course; coined rupees.

1123. (*Sir Thomas Farrer.*) And you would make the rupee convertible?—Convertible.

1123*a*. At the ratio?—At the ratio. Until it was freely exchangeable for gold, the gold standard would not be established.

1124. (*Chairman.*) Is it certain that it is essential to a gold standard that the Government should exchange the silver for gold?—I do not know that it is essential to a gold standard; I should say probably it was essential.

1125. But in France?—They do not in France, but the Government would not be compelled, there would be no law under which the Government would be compelled, but it would be the duty of the Government, to maintain the equilibrium.

1126. Then you do not mean to say that every body may have a right to get gold in exchange for silver?—Oh, not for a moment.

1127. (*Sir Thomas Farrer.*) Not in the same way as here with a bank note?—No.

1128. That you do not propose?—No, they would never be compelled.

1129. Then what would be the duty; I do not understand the difference between an obligation and a duty?—It would be the policy or the duty of the Government to see that the gold standard was maintained in India, and that gold was freely exchangeable for token coinage.

1130. (*Chairman.*) That is to say, the Government would exchange it?—When they found it convenient.

1131. For the purpose of keeping the equilibrium, unless there was some strong reason against their exchanging it?—Exactly.

1132. Such as the driving out of gold?—Exactly.

1133. (*Mr. Courtney.*) The Government is not bound here to give gold for silver?—I do not mean that they would be bound.

1134. Neither is there any duty on them that I am aware of, nor any policy?—You have got a limited legal tender here.

1135. (*Sir Thomas Farrer.*) And, where the currency is sound, Government is everywhere obliged to give whatever the metal may be for paper?—For paper, otherwise it becomes an inconvertible paper currency.

1136. Would not silver under those circumstances be in somewhat the same condition as paper?—I think not. There would be no coin issued by Government except in return for 1*s.* 6*d.*; Government would never sell a single rupee for less than 1*s.* 6*d.*, and they would never give 1*s.* 6*d.* back for less than the rupee.

1137. You rely upon the limitation of the quantity, rather than upon its convertibility, in order to get it at its true value; at the fixed value?—Yes.

1138. (*Sir Reginald Welby.*) You spoke of the rupee becoming a token; in what sense would it then become a token?—It would not then have the intrinsic value of 1*s.* 6*d.*, any more than the florin has the intrinsic value of 2*s.*

1139. (*Sir Thomas Farrer.*) Supposing that gold is wanted for the purpose of export; for the purpose of balance of liquidation or otherwise; in what manner would you propose that persons would be able to get it; would there be any legal power of obtaining it from the Government or from any public bank or treasury?—No, I should say not.

1140. They would merely have to buy it?—They would merely have to buy it. Practically, it would always be obtainable on the basis of 1*s.* 6*d.* for a rupee.

1141. (*Sir Reginald Welby.*) For commission they would make you pay?—No, Government would not make you pay commission; if Government found it convenient to give you gold for rupees, they would do so at 1*s.* 6*d.* Government would never make a charge.

1142. (*Mr. Courtney.*) Under your hypothesis, suppose a person went into a bank—the Bank of Bengal, or any other bank—having money in that bank, and desired to draw out 10,000 rupees, would that person be entitled to say, "You must give me gold"?—Certainly not; the rupee is unlimited legal tender.

1143. (*Chairman.*) Then, if he specially wanted gold for export, if the Government were not in a condition, in their view, to let him have it, he would have to pay something for having gold rather than silver?—It would all depend upon the state of the market. His rupees might only be worth 1*s.* $5\frac{15}{16}$*d.* or 1*s.* $5\frac{31}{32}$*d.*, but it would merely be the banker's profit in the turn-over which he would have to pay. Practically, the par value would always be maintained. I believe after a time you would be able to get gold for rupees, at par, perfectly freely. If a man went into a bank with Rs. 1,333–5–4, and asked for a demand draft on London for 100*l.* (that would be at 1*s.* 6*d.* exchange), he would, in all probability, get it for the amount he tendered, because the bank would have the use of the rupees three weeks for nothing—that is, till their draft on London matured; whereas, if the bank wanted to buy rupees from the mint, it would have to pay at once. The bank's profit in buying from the man at 1*s.* 6*d.*, and paying in a draft on London, would be three weeks' interest.

1144. (*Mr. Courtney.*) The man might have to pay?—He might have to pay sometimes at first.

1145. (*Mr. Currie.*) That comes to practically what I was saying, that exchange might rise above 1*s.* 6*d.*?—It might sometimes fall a sixteenth; it would be simply the turn of the market. The whole note issue is worked by the Government of India, not by a bank, as in England by the Bank of England.

1146. (*Sir Thomas Farrer.*) Just that I may perfectly understand what you propose; you propose that there shall be a free mintage for gold?—Yes.

1147. Anybody shall have the right to take any quantity of gold and get rupees for it at any time?—Yes, or get gold coins of 10 or 20 rupees each.

1148. Well, then, that would be automatic so long as people were willing to take gold and to buy rupees with it?—Yes.

1149. But, suppose the rupee were depreciated below the value, people would not take gold then?—They would not take gold then; that would show that the currency was redundant.

1150. That the currency was redundant; then you would leave it to the Government to decrease the currency, either by making a loan, as you say, or by stopping the mints until the currency has ceased to be redundant?—They cannot stop the mints; they are bound to give rupees in return for gold.

1151. Silver rupees?—Silver rupees in return for gold.

1152. Quite so; I understand that; but suppose people brought no gold?—Then there would be no demand upon the mints for rupees, and that would show, as you have just said, that the currency was redundant.

1152*a*. Well, how is that to be prevented?—If Government found that the currency was redundant,

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that there was more coinage than was required for the purposes of trade, they could raise a loan of four or five crores of rupees, and lock up these rupees.

1153. Then in that case the determination of the quantity of the currency would rest with the Government, and not be automatic?—It would be automatic as soon as the equilibrium was established.

1154. It would be regulated by the Government?—Regulated by the Government in the same way as the token coinage in England is regulated by the Government.

1155. But is the silver currency in England regulated by the Government?—I should say so.

1156. Nothing of the kind; anybody may get any quantity of silver currency by applying and paying for it?—Yes, but only in exchange for gold; so it would be in India.

1157. (*Sir Reginald Welby.*) It is the mercantile community that regulates it here; not the Government?—The mercantile community in India would regulate it too.

1158. I thought you said the Government would be the judge of its sufficiency?—It would be the Issue Department, as General Strachey pointed out. As I understand the system in England, it would be precisely the same in India. When people want silver coinage in India, after the introduction of the gold standard, they will take gold to the mint, and the Government will give them rupees in return for gold, in the same way as if a banker in Norwich wants 1,000*l.* worth of silver he asks the Bank of England to supply him with 1,000*l.* worth of silver. The Bank of England applies to the mint, pays the 1,000*l.*, no doubt in sovereigns, and gets the 1,000*l.* worth of silver, and it would be precisely the same in India.

1159. (*Mr. Courtney.*) But there is this difficulty, that in India you would make it the duty of the Government to reduce the silver circulation from time to time?—Until it was seen that there was not too much in circulation, not afterwards. After the establishment of the equilibrium the currency would work automatically, just as the five-franc token coinage in France works.

1160. (*Lieut.-General Strachey.*) Is it not the fact rather that it *might* be the duty, not that it *would* be?—It *might* be the duty. Very possibly none of the coinage need be withdrawn. None, I believe, was ever withdrawn by Holland, when she established her gold standard.

1161. (*Mr. Currie.*) They might have to lock up a considerable amount of rupees conceivably?—They might have to lock up a considerable amount; they might have to lock up a few crores of rupees, but the expense of locking that up would not be very much.

1162. (*Sir Thomas Farrer.*) There is the difference that the rupee would be legal tender for any amount in India, whereas it is only legal tender for a limited amount here?—That is so. There would be the loss of interest; that would be the case, but on the other hand they might use the money that they borrowed for public works.

1163. (*Mr. Courtney.*) That would destroy the purpose of locking them up, if you put them out?—I do not think so, but, if so, then they need not do it at once. They would be withdrawn from circulation in the meantime, at any rate.

1164. (*Chairman.*) Do you think that there is a redundancy of coinage in India now?—I do not know that there is; I think a very great deal of the silver that has been coined in India has been melted down and made into Cutch bowls and that sort of thing.

1165. (*Mr. Courtney.*) The test of a redundant coinage under your system would be, "Do rupees fetch 1*s.* 6*d.* (if that is the sum)," or do they fetch something less?—Yes.

1166. If they fetch less, then the coinage is redundant?—Yes.

1167. (*Chairman.*) Whether they would fetch less, or whether they would at once fetch the 1*s.* 6*d.*, is a matter of speculation, I suppose?—That is a matter of speculation; but I should say that they will probably fetch 1*s.* 6*d.* at once.

1168. (*Mr. Currie.*) How do you account for the very great increase of currency notes in circulation in India; nearly doubling the currency?—I think people have got more faith in the Government, and they find it much more convenient to transport notes about the country.

1169. But these currency notes are in the hands of the banks, mainly?—Well, that point I am not able to speak upon; I have not considered it.

1170. (*Chairman.*) It has been suggested to us that, if you fixed the rupee, say, at 1*s.* 6*d.*, as proposed, the probable result would be that those who have capital in India, and who have been alarmed at the fall of the rupee, and who might not have faith in its being always kept at 1*s.* 6*d.*, would realise their capital and send it out of India. Do you think that that would be probable?—I do not think so; they would probably get a little better interest in India than they would get in England. Besides, a very short time would establish confidence.

1171. (*Lieut.-General Strachey.*) Would it be possible that any such transaction as that could take place, unless there was somebody in India who was prepared to purchase the security or property?—No, they could not do it; it would be impossible for everybody to realise all that he has got, and remit it home, and there is no reason that I know of why people should want to do that; I should rather be inclined to hang on to my securities. Besides, if A sold, B or someone else would have to buy, and the money would remain.

1172. (*Chairman.*) Supposing the scheme you suggest were adopted, do you think it would have a great effect upon the silver market?—I do not think that it would ultimately put down silver much; it would have some effect no doubt upon the silver market at first.

1173. In your view, I gather, silver would be very nearly as much used in India for currency purposes as it is at present?—It would be almost as much used as at present.

1174. So that it would depress the silver market not so much by a diminished demand as by the sentiment?—The sentiment, yes, the fear.

1175. (*Sir Thomas Farrer.*) In former times, the great object of the currency laws has been to prevent the Government from depreciating the currency?—Yes.

1176. Do you think that there would be any fear of that, if the Government had the control of the quantity of silver coinage in India?—I do not see how Government could depreciate it, no honest Government would do such a thing.

1177. (*Mr. Currie.*) But Governments have not always been honest?—No, but still, even if the Government of India wanted to be dishonest, it is under control.

1178. It would be a profitable occupation?—Well, I do not say, if they chose to be dishonest, they might not coin a lot of rupees and put them into circulation without selling them for 1*s.* 6*d.* In the same way, however, they might also, at the present time, put their printing press into operation, and put a lot of currency notes into circulation. But I do not suppose they do.

1179 (*Sir Thomas Farrer.*) Would you have any safeguard at all except through the medium of the exchange with gold-using countries?—I do not think such a thing would be necessary.

1180. Such as preventing the Government from issuing additional rupees if the exchange fell?—To whom would they issue them?

1181. Well, I suppose that they have plenty of debts, *e.g.*, to pay their own servants?—They dare not; it is possible, but it is not probable, I think.

1182. (*Mr. Currie.*) Publicity would be the best remedy?—I think so.

1183. (*Sir Thomas Farrer.*) That every year the currency department should publish an account of what they have done?—Yes, undoubtedly.

1184. And, suppose the rupee in exchange with Europe fell, that would be at once an indication?—Possibly.

1185. That would be a safeguard, would it not?—Perhaps. But it would be just as dishonest to coin a lot of rupees and to put them into circulation without having sold them for 1*s.* 6*d.*, as it would be to print a lot of currency notes and have them signed and put into circulation without any money behind them. The operation would be a felonious one.

1186. Would there be any objection to an absolute rule, if the rupee fell, that they should not coin more rupees until it had reached a fixed value?—Would not a rule that they were only to sell rupees in return for 1*s.* 6*d.* taken to the mint be sufficient? That is the basis of the scheme.

1187. (*Mr. Currie.*) Well then, what would they buy the silver for that they turned into rupees? That is where the profit would come in?—If the intrinsic value of the rupee remained at 1*s.* 3*d.*, and they were able to sell the rupee at 1*s.* 6*d.*, they would make 3*d.* on the rupee, in the same way as the British Government make 2,000,000*l.* sterling a year in coining its token silver.

1188. (*Sir Thomas Farrer.*) Only that the silver here is a very subordinate affair, whereas it would be the main currency in India?—Yes; but the profit to the British Government is three times what it would be to the Indian Government.

1189. (*Lieut.-General Strachey.*) Would not complete control over that sort of operation be given by saying that Government was to abide by the rule which would apply to the public?—Undoubtedly.

1190. For instance, that the only issue of rupees must be in exchange for gold, and that the Government must take gold to the mint, if they required rupees, just as much as anybody else?—Yes, much in the same way as they cannot go to the printing press of the issue department and ask the man to turn off a few notes for them when they get hard up; they have to take silver there, and buy them, the same as any other body. That is a matter of arrangement.

1191. (*Chairman.*) Now, supposing the scheme were not adopted, can you suggest any tentative measure in that direction which might be adopted to mitigate existing evils, and as a step towards your proposal?—Well, I should say that the first step would be to close the mints to the free coinage of silver.

1192. Until the exchange rose to some fixed point?—Yes.

1193. It would be essential, would it not, to have in view some ratio?—It would be essential to have some ratio in view.

1194. (*Mr. Currie.*) But what, in your opinion, would be the effect of the act of closing the mints without fixing a ratio; would not the ratio tend to fix itself?—I think, if we were to go on with the mints closed, and no ratio were fixed, considerable commercial disturbance and speculation would result. People would want to know the intended ratio.

1195. But would they not be able to estimate it for themselves?—I do not think so. If they thought the limit was to be 1*s.* 6*d.*, you would probably find Council drafts going at 1*s.* 4*d.* next week, 1*s.* 5*d.* the week after, and 1*s.* 6*d.* the week after that, or probably you would find with regard to Council drafts that some man would at once offer you 1*s.* 5½*d.* for all there were in the market, and secure them.

1196. But what are the facts within the knowledge of Government which enable them to fix a ratio, more than those in the knowledge of the experienced bankers, or other tenderers for bills?—Well, I suppose, if they give consideration to what the ratio should be, they would have to take into consideration what the price of silver had been in the last 20 years, since the depreciation began to take place, and they would have to take a fair average price. It would not do for Government to fix, say, 1*s.* 3*d.* as the standard, because the intrinsic value of the rupee might possibly rise over 1*s.* 3*d.*

1197. (*Chairman.*) The difference would be this, would it not, that, if you were to close the mints, the Government would have it in their power to raise the ratio?—To raise the ratio to 2*s.* perhaps.

1198. If it went on long enough, within certain limits as high as they pleased?—No doubt.

1199. And those who were bidding for Council bills would have no idea as to the extent to which the Government had determined to raise it. It would be a matter entirely within their control, and therefore you would have no power of fixing by outside competition what the ratio would be; it would be pure speculation?—It would be pure speculation.

1200. (*Mr. Currie.*) But surely the calculation on the part of the exchange banks would be something like this; they would ask themselves: "I am asked to "bid sterling for rupees, there are so many rupees in "existence," or, "I estimate the rupees in existence "at so much. What is the value of that stock of "rupees in sterling?" Why should not the competing public be as well able to judge of that as the Government?—I rather think the Government, with the Council drafts to sell, have the thing in their own hands if they close the mints to silver, but, if they went too far and aimed at too high a rate, the trade dislocation would be very severe.

1201. But is it not a dangerous thing for Government, when they have it in their own hands, to use it in a way that might be considered oppressive?—It is a matter for serious consideration what the ratio should be.

1202. So serious that you would not like to name a rate?—So far as mercantile operations are concerned, the rate that would involve the least dislocation is the market rate of the day; but for several reasons it might not be wise to fix this, and at present I am prepared to recommend 1*s.* 6*d.* I am prepared to give my reasons for making it 1*s.* 6*d.*

1203. What do you mean by saying the Government would have it in their own hands?—If the Government closed the mints, there would be at once competition for Council drafts; silver would no longer compete with Council drafts in the London market, and there is no doubt the tendency would be to bid higher and higher for Council bills in order to meet the demand for remittances to India.

1204. Why should it be a tendency to bid higher?—Competition would put it up.

1205. That implies that there is a less supply than competition seeks for. Would not the case rather be analogous to a country which had a fixed but inconvertible currency, such as, let us say, the United States had for a particular time—a fixed but inconvertible currency? The exchange between England and the United States varied from day to day, or week to week. It sometimes went up and it sometimes went down. Why is there a tendency to go up?—The balance of trade is so much in favour of India, it must be met by remittances of silver.

1206. (*Chairman.*) For rupees?—Rupees it would be, if the mints were closed.

1207. (*Mr. Currie.*) Why should not the present stock of rupees be adequate to keep the exchange pretty steady; why should it go up, or why should it go down?—At the present moment there is, as I understand it, about 26 crores of rupees paid over by the Government of India, in India, to the banks in exchange for gold in London, and the banks must have those 26 crores of rupees. But even these 26 crores are insufficient to meet the demand for currency, and there is a large quantity of silver shipped in addition, which is coined for the public use.

1208. (*Chairman.*) At present the process of sending silver to a mint which will coin it into

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rupees, and so getting your rupees, is a very simple one?—A very simple one.

1209. And, so long as you can do that, there is obviously a great competition between that and Council bills?—Certainly.

1210. If that means of remitting to India ceases, and the only convenient means is Council bills, it puts those who have the Council bills in their possession in a position at all events to insist upon a much higher price than they otherwise would to a man who wants to make the remittance?—That is precisely what I meant to say.

1211. It may be that in some roundabout different way he might make the remittance; but the inconvenience of that, as compared with the simple alternative method which he now has, would lead those who wanted to remit, rather than employ that roundabout method, to give a higher price for Council bills?—Yes.

1212. Those who have Council bills to dispose of probably could not stand out for an indefinite time, for an increase upon the price which they are at present receiving; but how far they, being in possession of this more advantageous position, could hold out would be a question difficult to determine, I suppose, beforehand?—And, if they held out too long, it would lead to a very serious dislocation of trade.

1213. (*Sir Thomas Farrer.*) I should like just to put it in another way. What is a Council bill, is it not an order for payment of rupees in India?—It is so.

1214. Then what would be given for the Council bills depends upon the value of rupees in India?—Depends upon the value of rupees in India; and might I say that the value of the rupees in India with open mints depends upon the value of silver in London.

1215. That it does at present with an open mint?—At present.

1216. The proposal now is that the Government shall exercise a control over the quantity of rupees in currency in India?—Yes.

1217. Does not the value of the rupee depend upon the quantity which is in existence in India? If they become too few for the wants of the country, the rupee will rise in value?—Yes.

1218. Consequently, if the Government have the power of fixing the quantity of rupees in India, they have the power of fixing the price which they shall get for their own Council bills in London?—Undoubtedly.

1219. And, therefore, it is desirable that there should be some distinct limit put to the power of the Government in limiting the currency?—Yes. When the mints are closed, it will be desirable to fix the gold price at which rupees are to be made available.

1220. (*Mr. Currie.*) Will there not still be a competition with Council bills in gold? Will it not be at the option of the banks, if they find that they cannot buy Council bills, to remit gold to India, and buy rupees from any seller at whatever price they can; therefore, is it quite true to say that the Government has the entire power of fixing the exchange? Supposing a seller of rupees is willing to give them at less than 1*s.* 6*d.*, or the ratio you fix, what is there to hinder them?—Nothing, but there is no man in India who would long sell them for less than the price at which Government was selling its Council bills.

1221. Clearly not, but what I want to ask is this: You think the Government, or Secretary of State, would have a perfect monopoly for his Council bills; he now has to compete with silver. It appears to me that he will still have to compete with gold. What do you imagine the banks would do, when they had got to the end of the Secretary of State's bills? What would they remit?—Things would come to a deadlock; Government would have to declare the gold price at which they would issue rupees.

1222. The Secretary of State could only draw upon his balance, not to an unlimited extent?—Certainly, and things would be brought to a deadlock in India.

1223. No, surely not, if gold were sent out?—But there is no coinage of gold.

1224. It does not signify that there is not a coinage?—I understand this is before the standard is fixed.

1225. Quite so. I am supposing that the merchants or the banks want to remit, and have got all the Council bills they can. What would they remit when they had got to the end of the Council bills, would they not remit gold?—There is a limit to the demand for uncoined gold in India; currency is required.

1226. (*Mr Courtney.*) Are you not assuming free coinage of gold?—No, I understand we are speaking of things as they are now, when there is no free coinage of gold. There is a limit to the demand for gold in India. People must have currency with which to discharge their obligations and carry on the trade of the country, and it would be necessary for Government to fix a gold price at which they are prepared to supply the currency of the country.

1227. (*Chairman.*) One element that cannot be left out appears to be this, does it not, that the Government have, by the hypothesis, closed the mints?—Yes.

1228. When they will open them again, and to what extent they will coin when they do open them again, are elements that must very materially affect the value of the rupee?—Yes.

1229. And the power to open them, and the extent to which they use them, is a matter within the control of the Government, and, therefore, to a certain extent at all events, they have a control over the value of the rupee?—They have a control, there is no doubt, if they close the mints to silver and do not open them to gold, and do not declare the gold price at which they will issue rupees.

1230. (*Lieut.-General Strachey.*) Would not Mr. Currie's supposition that the banks sent gold to India and purchased rupees, necessarily indicate a reduction in the quantity of rupees available?—Undoubtedly.

1231. Because it would virtually convert the silver money into gold money?—Into gold money.

1232. And that would immediately affect the value of the silver money?—Yes.

1233. Then is it not also the fact that, taking a series of years, it has been found necessary, perfectly irrespective of any fall in the value of silver, to add very considerably to the silver money of India every year; is not a very large quantity of silver coined every year?—Yes.

1234. I believe the amount on the average is between 5,000,000*l.* and 6,000,000*l*; not less than that?—Yes.

1234*a*. Well, that indicates surely that there is, from the condition of the silver currency in India, a systematic waste?—No doubt.

1235. (*Sir Thomas Farrer.*) Or an increase of demand?——

1236. (*Lieut.-General Strachey.*) Or both; and is it not the fact also that this silver currency of India has to supply the enormous population of 250,000,000 or 260,000,000?—285,000,000 now.

1237. Is it not also apparent that a very small addition to the quantity of money that each of this population has, will have an enormous effect in the gross on the quantity of currency that is required?—No doubt.

1238. (*Chairman.*) What do you think would be the effect of closing the mints, but imposing on the Government an obligation to coin the amount which on an average has been coined, we will say, for the five preceding years; that is to say, you do away with free coinage; private persons are not entitled to get rupees for any amount of silver they bring; but the Government is bound to coin as much as on an average has been coined for the last five years?—And how would they dispose of it, my Lord?

1239. They would dispose of it, I suppose, to those who might want it?—In return for gold?

1240. (*Sir Reginald Welby.*) Not for silver?—But how would they dispose of the rupees they coined?

1241. (*Lieut.-General Strachey.*) They would buy silver; they would buy silver, and give rupees in

exchange ?—Yes, they would buy silver; but how would they dispose of this, if you put an obligation on them to coin five crores of rupees per annum ?

1242. It would be merely that the Government would be bound to buy so much silver, in the way that the United States Mint does ?—Still——

1243. (*Chairman.*) You mean, how would they get them into circulation ?—Yes.

1244. But, assume for the moment that the fact that there has been a certain amount added to the currency on an average for so many years indicates a requirement for so much coinage ?—Yes; then is the proposal to sell them for gold ?

1245.—Yes ?——

1246. (*Lieut.-General Strachey.*) The plan of the United States Mint is simply to invite tenders for the supply of silver ?—Yes.

1247. And the United States Mint buys month by month a certain definite quantity, so many ounces of silver, at the lowest price. There is no reason to suppose that, if the Indian mints offered to buy silver, it would not be tendered to them ?—Oh, no, none whatever.

1248. Then the payment to the owner of the silver would be made in rupees, and these would go into circulation ?—Yes.

1249. (*Chairman.*) You say it would stop the free coinage, that is to say, people could not count upon getting all the silver that they brought coined into rupees ?—Yes.

1250. The Government would only coin as much as past years had indicated to be the normal condition of the coinage. Now, what effect do you think that would have; would that raise the rate of exchange ? —Would you still have the gold standard ?

1251. I am supposing that you would not ?—No, I think not.

1252. (*Mr. Godley.*) It might be a step in that direction, might it not ?

1253. (*Chairman.*) You see silver would cease to be as unlimited an alternative for the Council bills as it now is ?—Yes.

1254. Do you think that would not raise the rate of exchange ?—It very likely would raise the price at which the Government would be able to sell their Council bills.

1255. And, on the other hand, it would not be calculated so seriously to affect the value of silver, because you would be still coining as much as you had been coining before; the demand would be as great ?—Yes, probably; well, I have not thought of that; I never heard of that scheme before; I do not quite realise it. My impression is that, until we get a dual standard, our only remedy is to change our standard from silver to gold; and no remedy or attempt at a remedy in the way of closing the mints, and buying a certain amount of silver, unless you have the gold behind it, will ever give any stability to the gold value of the rupee.

1256. (*Mr. Currie.*) Do you not think then, suppose your plan were adopted, and the Secretary of State were at once, or the Government of India were at once, to close the mints and announce 1*s.* 6*d.* instead of 1*s.* $2\frac{7}{8}$*d.*, as it is now, that the rise from 1*s.* $2\frac{7}{8}$*d.* to 1*s.* 6*d.* would produce a terrible dislocation of prices in India ?—No doubt it would create some dislocation.

1257. It would alter the price of all commodities, would it not, to a very great extent ?—I do not think we need fear the alteration that the change from 1*s.* 3*d.* to 1*s.* 6*d.* would make. I think it would be got over in the course of a very few weeks.

1258. But would not individuals be heavy losers and make claims upon the Government ?—Very few. I do not see that anybody could make a claim; there are very few people who have anything open just now; few who have any transactions uncovered; everyone knows something must be done, or will possibly be done; that we will either have a very serious fall, or a very considerable alteration in exchange.

1259. But there are sellers of produce who always have transactions open ?—If they take the risk of exchange, that is, bear exchange, hoping that it will fall, they do so at their own risk. Nobody will have any legitimate claim on the Government if the standard is altered. Take an alteration from 1*s.* 3*d.* to 1*s.* 6*d.*, that would mean something like 15 per cent.; a change in the Government in America might give us a dislocation greater than this any day, as long as we remain on a silver basis.

1260. (*Chairman.*) You were going to tell us why you fixed 1*s.* 6*d.* as the best ratio to take ?—Yes. It would not do to fix, say, 1*s.* 3*d.*, which is to-day's rate, because, if we fixed to-day's rate, 1*s.* 3*d.*, we might have—it is possible in the ordinary course of affairs and events—a rise in the value of silver again; and the intrinsic value of the rupee might become more than 1*s.* 3*d.*, and the whole of our rupees would go out of circulation; they would be melted down and sold. So that it is necessary to have something over the intrinsic value.

1261. Why do you name 1*s.* 6*d.* ?—1*s.* 6*d.* seems to me a fair average. I do not think it would cause very much dislocation, and prices may be said to have fairly well adjusted themselves to something like 1*s.* 6*d.* We had 1*s.* 6*d.* exchange about a couple of years ago; we have dropped from 1*s.* 6*d.* to 1*s.* $2\frac{1}{2}$*d.*, and we were up at 1*s.* 9*d.* four years ago. If you take the mean between 1*s.* 3*d.* and 1*s.* 9*d.* you will get 1*s.* 6*d.*

1262. (*Mr Currie.*) Do you think that rate would satisfy the officials of the Government ?—I think it would on the whole. It certainly ought to satisfy them.

1263. On the advice of the House of Commons, we settled 1*s.* 9*d.*, as you are aware, for pensions, quite recently ?—Yes, for pensions you did, but exchange ran up about that time and helped the settlement. Very few of the officials now in India went out when the rupee was worth 2*s.*; many when the rupee was as low as 1*s.* 4*d.*; some of them went out when the rupee was 1*s.* 8*d.* On the whole, I think that a rate of 1*s.* 6*d.* would probably satisfy everybody. The Government of India might possibly have to give some increase of salary in some cases, but I can scarcely speak as to this.

1264. But still there is the fact that the House of Commons Committee recommended 1*s.* 9*d.*, did they not, when exchange was not very materially higher than it is now ?—That was some years ago, and I think that probably they were influenced very much by the rise that took place, which looked as if they would not lose very much by giving 1*s.* 9*d.* 1*s.* 8*d.* no doubt would please the officials more than 1*s.* 6*d.*

1265. And what do you say to the Government bonder—the holder of the Government's rupee paper ? —Well, no doubt, he would be benefited, as rupee paper would be gold paper.

1266. You think 1*s.* 6*d.* would satisfy him ?—Well, he has got to be satisfied with 1*s.* $2\frac{1}{2}$*d.*

1267. With the possibility of a rise ?—I think he would rather close at the eighteenpence. He is only entitled to rupees, whatever they may be worth, and he can only realise them.

1268. Yes ?—I think the holders of rupee paper would be very glad to see 1*s.* 6*d.*

1269. And are you aware that the President of the Chamber of Commerce of Bengal took the same view about gold, and presented an address to the Governor-General at that time, because they thought the country would be flooded with gold ?—I think the circumstances have very materially altered since then.

1270. (*Lieut.-General Strachey.*) As regards the public creditor, do you not think that you should consider the amount of the debt that was created before this great fall in the value of the rupee took place ? I see, looking at the figures, that in 1881–82 the amount of the rupee debt in India was 88 crores, and in 1890–91 it was 102 crores, making an addition of 14 crores ?—Yes.

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1271. Well, up to 1881–82, virtually, you may say, exchange had not fallen below 1*s.* 8*d.* The consequence is that out of the existing debt only 14 crores has been borrowed when the exchange has been below 1*s.* 8*d.*, and the average would hardly come so low as 1*s.* 6*d.* Is not that a reason why, to do justice to the public creditor, if you are going to fix the relative value of the rupee and gold, you ought not to take the low rate of the present time?—I think, undoubtedly, that is a reason; I think it would be exceedingly hard upon the public creditor to fix his rate at 1*s.* 2*d.*

1272. (*Mr. Currie.*) There is one question I should like to ask with regard to the check to private capital being invested in India; is not the fact that railways and other public works have been constructed mainly out of money borrowed in sterling by the Government of India, or by the agency of companies guaranteed by that Government, a proof that private enterprise is unwilling to take the risk of a further depreciation in exchange?—Undoubtedly.

1273. And is not that so far an injury, forcing Government to borrow money for purposes which might be more properly performed by private persons?—Undoubtedly.

1274. (*Sir Thomas Farrer.*) One general question. You think that on the whole it is desirable to bring India into line with the gold-using countries of the world?—I think so.

1275. And that that is the tendency of things in the world generally?—Yes.

1276. That the tendency of the world generally—of civilised nations—is towards a gold standard?—Is towards a gold standard.

1277. And that India had better join that line?—I think so; she is the only country now, as far as I know, that goes on coining silver, that gives free coinage of silver to anyone who chooses to take it there. She is the only country of any importance with a currency—(China has got no currency, China deals in weight)—left out in the cold.

1278. Have you formed an opinion as to whether the mint of India being open for the free coinage of silver has increased the demand for silver in India, and whether the closing of it will very much diminish the demand?—I am not disposed to think that the closing of the mint to the free coinage of silver in India will ultimately very materially depreciate the value of silver We will still want a very considerable quantity of silver to maintain the coinage in India, and there is no reason why the 285,000,000 people in India should cease using silver for bangles and ornaments, and there is no reason why the whole of the silver-workers in India should give up using silver. It is an enormous trade. Population is rapidly increasing; and, if the country gets opened out and trade developes, more silver currency will be required.

1279. Then you do not think that by reason of the open mints India has become, to use an American expression, the "dumping ground" for useless silver?—Well, I think there is no doubt that it has. I think the American is probably right when he says it is a "dumping ground" for silver.

1280. Well, to whatever extent that is the case, the silver brought to India by that means is of very little use to India. What I want to get at is, whether the consumption of silver in India is a natural demand produced by the wants of the country, or is an artificial demand produced by the open mints?—I consider it is to some extent an artificial demand produced by the open mints.

1281. If that is the case, the closing of the mints would affect——?—It would affect, no doubt, the price of silver, I have said I believe it would, but it is very difficult to say to what extent.

1282. (*Chairman.*) Is there much opposition in India to the scheme which you advocate?—I do not think there is very much opposition; there is some opposition.

1283. Amongst what classes do you find the opposition?—Well, some of those who are interested in the cotton trade in Calcutta and in Bombay; to some extent those people are opposed to our adopting the same standard as England, because they consider, and perhaps rightly, that in the meantime they get a certain amount of protection against the competition of Lancashire. Some of the tea people think that a change in the standard might lead to China cutting out Indian tea again, but that is the only opposition of any moment that I have heard of.

1284–5. You are interested in tea yourself?—We are interested in tea ourselves; we have also got a jute mill and a cotton mill.

1286. And you do not fear the result of such a change upon the tea trade, owing to Chinese competition?—Certainly not; I do not see that there is any advantage to be gained in the long run by having a depreciated standard of value. On the other hand, I look for a great improvement in trade in India from the adoption of a common standard with the civilized world, and a considerable rise in prices, and a term of commercial prosperity and enrichment of the people.

1287. (*Sir Thomas Farrer.*) You said that to some extent probably the open mint had made India the "dumping ground" for silver; is that founded upon the *à priori* view that the open mint always makes a market for silver, or is it founded upon any facts?—It is more founded upon the view that the open mints create a market.

1288. (*Lieut.-General Strachey.*) Are you aware of the fact that during the last two years there has been an enormous increase of the import of silver into India?—I do not remember the figures.

1289. And that this has been followed by a great accumulation of money in the presidency banks?—I know there has been a great accumulation of money in the presidency banks, but I do not know what has led to it.

1290. It is a fact, I do not know whether you are aware of it, that within the last two years the silver and bullion in deposit in the Currency Department of the Government of India has increased by ten crores of rupees, and that amount is virtually held as surplus deposits in the banks of Bombay and Calcutta, showing that there is about 10,000,000*l.* of silver lying idle?—I have not studied that point.

1291. (*Chairman.*) Has the rate of discount been abnormally low in India of late?—It has.

1292. Well, that would point to an accumulation of money seeking investment?—Yes.

1293. (*Mr. Currie.*) Is there much feeling among the native traders or dealers, one way or another?—There is a very strong feeling among the native traders or dealers in favour of having a common standard with England. I got a copy of a native petition put into my hands just as I left the pier in Bombay. This is one dated just two or three days before I left. I will put in a copy of it, if I may be allowed.

1294. Is that confined to Calcutta and Bombay, or have you any reason to believe that it is widespread?—I believe it is widespread all through the country. I believe there is a very strong feeling that the country is getting into a state of great poverty. The poverty is visible throughout the whole of India, the whole aspect of the country is one of poverty; comparing, as I did the other day, the appearance of the country and the people of India with the appearance even of those down in the south of Italy, the wretched appearance of India is very marked.

1295 (*Chairman.*) But is that more so than it was?—I believe that is more so than it was. I believe the struggle for existence is greater in India than it was, and I believe a common standard with England would tend to increase the prosperity and wealth of the country.

1296. By bringing capital there?—By bringing capital there; by developing the resources of the country. The country has not developed in anything like the way it ought to have done with the opening

of the Suez Canal. An enormous extent of country with great capabilities wants development.

1297. You have not considered the aspect of the question presented by the supposed effects which the adoption of the scheme would cause here in Europe, from the drain of gold or the appreciation of gold?—Well, I think, my Lord, that the quantity of gold required by India would be so very small that it would have very little effect upon the demand for gold in the world. I understand the production of gold is about 25,000,000*l.* per annum just now; and India's demand for gold would come very gradually upon the world, and it would extend over three or four years, and probably would not come to more than 15,000,000*l.*, perhaps 20,000,000*l.*, which is a mere nothing compared to the gold stock and supply of the world; and after a time we shall be able to produce in India sufficient to keep up the standard, and I believe it is possible that we should also have a very considerable quantity of gold brought into circulation from hoards. If there are 180,000,000*l.* of gold in India, if gold becomes coinage, I do not see why the people should not have their gold put into coins. It would be very much handier, and they would then know exactly what it is worth.

1298. (*Sir Thomas Farrer.*) They do it with rupees?—Yes, they do it with rupees. There is no reason why they should not do it with their gold.

1299. (*Chairman.*) Still, the coined gold, if hoarded, would be no more useful than the gold in banks?—No, but I think the disposition to hoard is dying out in India, and I think it would be a very good thing for the country if it did die out, and if we could bring a lot of that gold into circulation. I believe it would do a great deal of good.

1300. (*Sir Reginald Welby.*) Do you found your belief of the tendency to hoard gold dying out upon any facts?—The India Office will be able to say that there has been a large increase in the amount deposited in the Post Office Savings Banks.

1301. But does that bear any proportion to the amount hoarded?—It is very difficult to say how much money is in hoard.

1302. But it is put very high?—Yes, it is a good deal; it is spread over a tremendous population.

1303. I only meant to say that the increase in the Post Office Savings Banks, though large, is nothing very extraordinary. If it merely rests upon that, is not that rather a small basis on which to build the conclusion or the idea that hoarding is going out?—I think it is also the case that a number of the wealthy natives hold Government paper now who had large hoards; I think one or two of the chiefs. Of course, it is a very conservative country; it takes a long time to bring people to see that it is an advantage to them to put their money out to investment; but the opening up of the country by railways will enlighten the people and lead to their moving about, and gradually bring them to do as civilized nations do, and will end in their money being put into circulation.

1304. I should like to ask you one question. You were suggesting that the rupee should be fixed at 1*s.* 6*d.*?—Yes.

1305. It has been put before you that that is a very considerable change from what it is now. You have considered, I suppose, how that would operate within India itself, whether it might affect the existing contracts within the same village and two neighbouring towns, or throughout the country. May I gather it to be your opinion that the fact of fixing the gold value of the rupee at 1*s.* 6*d.* would really have no effect upon those contracts?—Absolutely none. Of the 285,000,000 in India, I should say probably not 284,500,000 will ever know that there has been any change made.

1306. That is to say, there will be no momentary decrease in the rupees which are available for the discharge of debts, and therefore fixing the gold price at 1*s.* 6*d.* would not make it more difficult for a man to pay his debt to his neighbour than before?—I think not.

1307. (*Sir Thomas Farrer.*) And would not make him afraid of being unable to pay gold?—I do not think so.

1308. It would create no panic?—Absolutely none.

1309. (*Chairman.*) Have you formed an idea of the gold coin that you would propose?—I should think a ten-rupee piece, and probably a twenty-rupee piece. I think perhaps the twenty-rupee piece alone would be sufficient. It would be a convenience if the sovereign were made a legal tender at 13⅓ rupees. That is a detail, I do not think that matters.

1310. (*Mr. Currie.*) Would it be necessary to have any other gold coin than the sovereign, because I think you lay great stress upon identical standard between England and India?—I do not think an identical coin necessary.

1311. But you do not think that, if the Indian Government were allowed to coin sovereigns as the Australian Governments are, that would be a sufficient gold coin?—I do not think it is necessary for the Indian Government to coin gold sovereigns; but, if there is no objection to their doing so, it might be a great convenience.

1312. You say there would be no objection to introducing a gold coin varying from the other gold coins of the world?—I do not think so; a gold ten or twenty rupee piece would suit us quite well.

1313. (*Mr. Courtney.*) The sovereign would be a fifteen-rupee piece?—No; a 13⅓-rupee piece.

1314. (*Mr. Godley.*) We should hear very little about it?—Yes.

1315. It would have a fictitious existence?—I do not think it would be much seen.

1316. (*Mr. Currie.*) You would make the sovereign a legal tender?—I think it would be a convenience to make the English sovereign and the Australian sovereign a legal tender.

1317. (*Sir Reginald Welby.*) Do you think they would go there?—It would prevent their being melted down, if sent out.

1318. (*Sir Thomas Farrer.*) Are there any sovereigns in India?—You can always buy them. If the Australian and English sovereigns were made legal tender in India, it would prevent their being melted down.

1319. (*Chairman.*) Do you think the gold hoards are at all in that form in India?—In which form.

1320. In the form of sovereigns?—I should not think so. They may be to some extent, but I am unable to say.

1321. Do you think sovereigns are melted down for the purpose of hoarding?—I should think, if a man wanted to hoard gold, and had it in sovereigns, he would hoard it in sovereigns.

1322. (*Mr. Currie.*) What becomes of those ingots which are sent out regularly by the banks stamped, and of a certain weight and fineness?—Probably a good many of them are hoarded, and no doubt also they are used for making gold ornaments.

1323. But they are found to be very useful methods of exchange, are they not?—They are stamped, and they are found to be very useful methods of exchange.

1324. What is their value, pray; it is several ounces, is it not?—I forget at the moment how many ounces; there is a regular standard for them.

1325. (*Mr. Courtney.*) You have spoken several times about appreciated and depreciated currency. What is your view of the past, is it that gold is appreciated or that silver is depreciated?—I am inclined to think that silver has depreciated.

1326. But silver prices in India are practically unchanged?—I think half of them have risen and half of them have fallen. I cannot trace the connection between the standard and prices. It is a most difficult thing. No doubt there is a connection, but I cannot trace it.

1327. (*Sir Thomas Farrer.*) Silver has fallen in common with commodities?—Very likely.

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1328. As compared with gold?—Yes.

1329. (*Mr. Courtney.*) That is not the question I am asking, which is the relation between silver and the price of commodities in India. Have silver prices of commodities in India greatly changed within the last twenty years?—I think half of the silver prices of commodities in India have risen, and the other half have fallen.

1330. What are the commodities that have risen?—Rice has risen. There was a statement compiled the other day by Mr. O'Conor. It is a very complex question. I cannot trace the connection between the standard and prices. I think a good deal depends upon supply and demand, and a good deal on crops.

1331. Of course, with respect to any particular commodity in any particular year, the price would depend very much on the crops?—Yes.

1332. But you do not mean to say that there is not a ruling principle also in relation to the production of the metal?—I cannot see it.

1333. (*Mr. Godley.*) Probably you would admit that it is one cause in many in the change of price; that the depreciation in the intrinsic value of the coin would be one thing among many causes which would contribute to raise the price of the article?—It would. Then, on the other hand, half the commodities in India have fallen in price.

1334. Precisely, because the other causes were more powerful?—I cannot understand it.

1335. That is quite intelligible, I think?—Yes.

1336. That the other causes might be more effective in these cases?—Yes.

1337. (*Chairman.*) It comes to this practically; it is the fact, and therefore you do not doubt that it has had some effect, but there are so many other and such complex causes in operation also that it is impossible to trace its effect or the extent of it?—Exactly so.

1338. (*Mr. Courtney.*) No attempt has been made to bring out what are called index prices in silver in an average of commodities, so as to neutralize the causes of variation of particular commodities?—I think attempts have been made, but I think they have failed; I think it has been found impossible to trace any connection.

1339. Anyhow, whether silver has depreciated or gold has appreciated, your proposal is really to raise the rupee from 15*d.* to 18*d.*?—No, sir, my proposal is to abandon silver altogether as the standard of value, and to adopt gold as the standard of value.

1340. Very well, your proposal is to alter the standard, so that, instead of having a bit of metal—silver metal, which is now to the sovereign in the relation of 15 to 240—you are going to have the gold which would be in the relation of 18 to 240?—Yes.

1341. So that you are going to raise in fact the unit of account in the proportion of 15 to 18?—All that I want to do is to have the same standard of value which England has, and in doing this it would be convenient to retain the rupee as a token coin and to fix its value at 1*s.* 6*d.*

1342. That is not the question which I asked you?—It will raise the unit no doubt from what it is at present; it will bring it back to what it was a few months ago.

1343. Very well; instead of a man paying his debt with 15 parts of 240, he will have to pay 18 parts of 240. He pays now with a rupee which is 15 out of 240 parts of a sovereign; in future, he pays with the coined rupee which is to be 18 parts out of 240 of a sovereign?—Yes, and next year it may be 10 parts.

1343*a*. Stick to that: You are going to screw up payments from 15 to 18, in that proportion, and 20 per cent.?—Possibly.

1343*b*. Well, do you think that the peasants of India will realise the effect that the relief which the Government would gain by your scheme really consists in all their payments being increased by 20 per cent.?—They ought also to get an increase in the produce they sell.

1343*c*. That may or may not be, but have they realised that, has it come home to them at all?—I do not think there is a peasant in India who knows anything about the question.

1343*d*. And it might be done without their realising it at any time?—I have not the slightest doubt it will be done without their realising it.

1343*e*. But the thing will operate in that fashion?—But they will have to pay less for their cooking utensils, less for the clothing they wear, and less for the implements of agriculture.

1343*f*. How does that follow?—Because they will have to pay fewer rupees when the rupee has a gold value of 1*s.* 6*d.*, than when the rupee has a gold value of 1*s.* 3*d.*

1343*g*. But, even if that is true, out of what they receive they will have to pay an additional tax to the Government, whether land revenue or tax upon the importation of important commodities or tax upon salt; there will be an addition of 20 per cent. upon what they pay the Government?—I do not follow that there will be an addition, any more than that they are now paying less than they did when the rupee was higher.

1343*h*. (*Mr. Currie.*) Then out of what fund will it come?—It will come out of the general returns of the country.

1343*i*. But the Government of India has a deficiency has it not, to meet? It proposes by your scheme to meet it; who will pay it? somebody must pay it, it will not come out of nothing?—If I knew where the loss had gone, I might be able to say where the increment will come from.

1343*k*. I think the true alternative is this; you must tax the peasants in some form, and this is a form which they will not feel; is not that it?—Probably; but not the peasants alone, everyone in the country, and, I hope, some people not in the country too.

1344. (*Lieut.-General Strachey.*) Is it not the fact that the result to the Government of the fall in the exchange value of the rupee has been to increase the rupee expenditure of India by seven crores of rupees?—Annually.

1345. Does not that imply a corresponding increase of taxation on the country?—Undoubtedly; I think it is more than seven crores, is it not?

1346. Well, it is many crores, but not only that, but taxation in a form that everybody knows and everybody groans under?—Yes. There has been no remission of taxation now for 10 years, but on the contrary in the past six years we have had several fresh taxes imposed to yield an additional annual revenue of four crores.

1347. (*Mr. Courtney.*) And it will be a convenience to have a form of taxation which nobody realises?—Certainly; an indirect taxation.

1348. But still the thing has to be dragged out of the inhabitants?—Naturally through the inhabitants, at any rate. The expense of administration in every country is got through the inhabitants. If they can pass them on to other shoulders, so much the better for themselves.

1349. You do not evade the difficulty?—Well, you probably do not evade the difficulty, but you certainly overcome it.

1350. You also, I think, told us that the manufacturers of Bombay and Calcutta, and the tea-growers, to a large extent, were all against it?—No, I should not say to a large extent; and all the manufacturers in Bombay and at Calcutta are not against it.

1351. The majority are?—Some of them are in favour of it. I should say the majority of them are against it.

1352. That they look upon this as injurious to themselves as producers?—Yes.

1353. Convenient for traders, but injurious to producers?—No, I should not say that.

1354. They look upon it in that way?—That it is convenient to traders?

1355. To traders?—And injurious to producers?

1356. Yes?—I think the manufacturers look upon it that the depreciating standard gives them a certain amount of protection against Lancashire.

1357. Is not that what I said in other words, that they look upon it that the proposed change may be convenient to traders but injurious to producers?—They may do that; but I am unable to see why India should not prosper under a gold standard, as well as England and the other nations.

1358. (*Sir Thomas Farrer.*) Why injurious to producers?—I cannot see it.

1359. Is it not because they get a larger price, and do not pay any more wages?—Yes; but of course——

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1360. Then does not that mean that it comes out of the pockets of the wage-earner?—Undoubtedly.

1361. (*Mr. Courtney.*) Then is it disputed whether the wage is lower? that assumes that silver has depreciated.

1362. (*Sir Thomas Farrer.*) The wage nominally remains the same.

1363. (*Mr. Courtney.*) And produces the same quantity of commodities?—Oh, no; I suppose the manufacturers do gain with a depreciating standard, until the readjustment of wages takes place.

The witness withdrew.

Adjourned till Wednesday, November 16th, 1892, at 11 a.m.

At the India Office, Whitehall, S.W.

FIFTH DAY.

Wednesday, 16th November 1892.

PRESENT:

THE RIGHT HON. LORD HERSCHELL, THE LORD HIGH CHANCELLOR, THE CHAIRMAN, PRESIDING.

THE RIGHT HON. LEONARD HENRY COURTNEY, M.P.
SIR THOMAS HENRY FARRER, BART.
SIR REGINALD EARLE WELBY, G.C.B.
LIEUTENANT-GENERAL STRACHEY, C.S.I.
MR. ARTHUR GODLEY, C.B.
MR. BERTRAM WODEHOUSE CURRIE.

MR. HENRY WATERFIELD, C.B., *Secretary.*

Mr. NEIL MCNEILL called in and examined.

Mr. N. McNeill.

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1364. (*Chairman.*) Mr. McNeill, you have been connected for many years with business in Java?—I have, since 1873.

1365. Are you still so connected?—I am a partner of the firm of Maclaine, Watson, & Co., merchants in Java.

1366. Have they a house in Java?—We have a house in Java.

1367. And a house also in London?—And a house in London.

1368. You were resident in Java for many years?—I was resident in Java since 1873 with a break of about 18 months, and again I came home about 18 months ago from now.

1369. I believe you have been British Consul at Batavia since 1884?—Since 1884 I have been British Consul at Batavia.

1370. You have made, I understand, no special study of the currency question in Netherlands India?—I have never made any special study of it.

1371. But you will be able to give us some information with regard to the trade and industry of Java, both prior to and subsequent to their change of standard?—Yes, my Lord.

1372. Down to the year 1876?—The actual change was made in 1873, I think. In 1877, I think, the law was finally passed to regulate the currency, but in 1873 the free coinage of silver was stopped in Holland. Since then the rates of exchange in Java have not been affected by the fall in silver.

1373. Then prior to 1873 the standard was a silver one?—The standard was a silver one.

1374. The Dutch guilder?—The Dutch guilder, yes

1375. In 1873 the free coinage of silver, which had existed down to that time, was stopped?—That was stopped, yes.

1376. Do you remember what was the ratio of silver to gold in 1873?—The ratio which was fixed when the change was made was 15⅝ to 1, I understand.

1377. At that time the market value of silver was below that ratio?—That I could not say.

1378. Was that ratio fixed and the gold standard adopted in 1873?—If I may be permitted to look, I have here a pamphlet which was drawn up by Mr. Van den Berg, the president of the Java Bank, for the Government of India. It was at the Viceroy's request that he sent a lot of information, and that gives very full figures.

1379. The present currency system seems to be spoken of as established in 1877?—It was definitely passed then by the Dutch Chambers, but it had been in a sort of intermediate state from 1873, that is to say—well, here it is mentioned as in 1875 that the Government of Holland suspended the free coinage of silver.

1380. Then possibly for the year 1873 should be substituted 1875?—The Dutch Government, I see from this, began to consider the question in 1872, and appointed a commission to consider the subject, and advise about the measures to be taken with regard to the interests of the country. That was in 1872 that they started it.

1381. Since 1877, at all events, there has been a definitely fixed gold standard with a silver currency at the ratio of 15⅝ to 1?—Oh yes, that has been definitely fixed since 1877.

1382. Has that changed considerably the nature of the currency in actual circulation, or not?—In no way. In Java it has changed it in no way whatever.

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1383. Silver circulates just as much as it did before? — Silver is practically the only coin we see in Java. Of course the great bulk of the business is done in Java bank notes, which are payable in silver—silver notes. But there has been actually since 1877, or before, no change in the money that passes current there.

1384. Taking the silver at the ratio of $15\frac{5}{8}$ to 1, it is now very considerably overvalued?—Yes, very much.

1385. I mean, having regard to the market price of silver?—I suppose 30 per cent. or something like that.

1386. Has any difficulty arisen in Java from the fixing of the gold standard and the use of the silver currency?—I cannot say that any difficulty has arisen. Of course the country has not felt any sudden change in any way; I mean to say that the exchange between Java and Europe did not undergo any violent fluctuation because of that fixing of the standard.

1387. But by 1877 there had been a very considerable fall in the silver?—Since 1877.

1388. But even by 1877 I see it had gone down from 59*d.* to 54*d.*?—I am still of opinion, though, that it was since 1873, or in any case since 1875, that the free coinage of silver was suspended. The matter came up in 1872 to begin with, and I think that from 1873 the free coinage of silver was suspended in Holland, pending the actual passing of the law.

1389. So that, though not finally determined upon till 1877, you think it had been practically in operation?—It had. I can say for certain that it had been in operation from 1873.

1390. (*Mr. Courtney.*) Are there mints in Java?—There are no mints—no, sir.

1391. (*Chairman.*) The coinage takes place entirely in Holland?—The coinage takes place entirely in Holland.

1392. Now, since the adoption of the gold standard, as far as you are aware, has the trade of Java suffered at all, owing to the adoption of the gold standard and the continuous fall in the market price of silver?—I should say it has not suffered in the way of a diminution in the trade. The exports have not fallen off, and sugar planting and coffee planting in Java have been extended since; but whether the extension would not have been much larger if they had had a free coinage of silver in Java is another question.

1393. There was, I believe, a period of commercial depression in Java some little time after the gold standard was adopted, which was attributed to its adoption?—In 1884 and 1885 there was a very severe commercial crisis in Java, but that was, I think I may say, almost entirely owing to the fall in the price of sugar, which fell, I should think, not far off 50 per cent. in some instances.

1394. And since that time there has been a revival again of commercial prosperity?—There has been a decided revival of commercial prosperity since that time.

1395. So that the only question in your mind is whether Java might not have prospered more than she has done, if the gold standard had not been adopted?—That is a question on which there is a great deal of discussion in Java. This gentleman, Mr. Van den Berg, to whom I have referred, and who is looked upon as a great authority—who is now the president of the Netherlands Bank—was one of the strongest supporters of the fixing of the standard at the time, and he has always supported the system since. He is a strong bi-metallist. But then, on the other hand, there are people who take a different view; and, although I should be very sorry to oppose the views of a man of his knowledge of the question, I cannot help thinking myself that in many ways the free coinage of silver in Java would have stimulated the export trade enormously. It would have put more money in the hands of the natives.

1396. Do any of the industries of Java compete to a great extent with the products of silver-using countries, such as India and China?—Not to a very great extent. The principal industry is sugar, and after that I should say coffee. The only case where I think they really come into line is in tea planting, which is not a very large industry in Java, and is confined to a small part of the island.

1397. Is it a growing industry?—No, it is not a growing industry. And there one can compare it with the Ceylon tea planting, which certainly is working, as it were, with a large premium in the shape of the exchange which they get for their bills on London. I have heard the question brought up perhaps more frequently by tea-planters than anyone else, because it comes more forcibly home to them that they are competing under such disadvantageous circumstances with India and Ceylon. In sugar, I do not think that the sugar planting in Java is actually brought into competition with any silver-using country. I do not know Manilla, but I fancy they have some slight premium in the shape of their currency there, but I am not quite aware of what the circumstances are.

1398. Can you tell us what prices are realised by the sale of Java tea, as compared with that of China and India?—The price is somewhat lower here on the London market from the quality. It is not up to the best Indian teas.

1399. We have been told that the Indian tea has prevailed against the China tea, not by reason of superior cheapness, but superior quality?—I fancy that is to some extent true, but I am really not very well calculated to give an opinion upon that point.

1400. So far as that is true, it would be equally likely to prevail against Java tea, without any advantage from the silver depreciation?—Of course a Java planter has to take the price he gets; he is hardly making way, barely making a living out of it, while the Ceylon planter is making money.

1401. But, even supposing he had a different standard, and the silver depreciated as much as in the case of the rupee, would he not still have a difficulty in competition, supposing that the tea produced in Ceylon is of a superior quality?—I fancy, again, perhaps in Java he would have an advantage in the labour. Labour is very cheap there, and that has really been, I think, the saving of the island during the last 10 or 12 years.

1402. (*Lieut.-General Strachey.*) Is it not also quite possible that the difference of the climate of Java from the climate of Ceylon, or of India, or of China, where tea is produced, may have an important effect, or at all events a definite effect, upon the quality of the tea, and thus affect its price?—Oh, yes, qualities vary in one place and in another, and Java tea as regards quality is not, perhaps, a first-class tea.

1403. I do not know whether you are aware of it, but I believe the tea plant is indigenous in a distinctly colder climate than anything you can have in Java?—Yes. The Java tea industry is not one of very great importance; even if it collapses entirely, it would not very seriously affect the island. Sugar-planting is the mainstay of the prosperity of Java.

1404. (*Chairman.*) Then there has been no considerable experience in Java of the effect which is alleged to be produced by two countries competing, where the one has a depreciated standard and the other has not?—No, I do not think that Java——

1405. Java and Mauritius, is there competition between them?—Well, of course, the sugar production of Mauritius is very much smaller than that of Java, and they do not meet in the same markets much.

1406. (*Mr. Currie.*) But still they are great exporters of sugar in Mauritius?—Yes.

1407. (*Sir Reginald Welby.*) Sugar is the staple of Mauritius?—The staple of Mauritius, yes. I think that the reason that Java sugar has been able to compete so well with others is entirely, as I say, owing to the very cheap labour which they have there, which counterbalances very much the disadvantage of

not getting more florins for their pound's worth of sugar.

1408. (*Mr. Courtney.*) That crisis happened in 1886, I think you said?—1884 and 1885.

1409. In 1884 and 1885, when the sugar was so low, did the sugar planters ever argue that, if there had been free coinage of silver, they would have got more florins?—They did bring it up then.

1410. They said at that time they were injured?—Some of them decidedly put it they were, but the question never became a very burning one in Java. There are such strong interests in maintaining things as they are, that I do not think it was ever looked upon as a question that could practically be entertained.

1411. (*Chairman.*) Has there been any considerable or substantial change in the wages, since the gold standard was fixed?—There has been no very marked change in the wages. The wages are lower since the crisis in the sugar trade, because it was found, of course, that planters had to reduce their expenses, and they combined as much as they could to bring wages down, but still the fluctuations have not been anything of great importance.

1412. Do you think that resulted at all from the fact that a higher ratio had been given to the guilder in comparison with the gold coin?—I do not think that it actually resulted from that; I think it was simply the fall in the price of sugar. Of course that was not the cause of the fall in the price of sugar, and the fall in the price of sugar was what brought economies into the management of the sugar estates in Java, and amongst other economies wages were in many cases reduced where they could be; but wages are on a low scale in Java, and the wages of coolies are not open to a very great reduction.

1413. Have you ever to remit gold from Java to Europe?—No, there is no gold remitted from Java to Europe, in fact there is very little gold in Java. The Java Bank has a stock of gold. I see in one of their last reports they have 4,000,000 guilders. They have about 300,000*l.* worth of gold coins in their vaults.

1414. 300,000*l.*?—Yes, and that with the exception of some English gold, which is imported for sale to the natives, is all they have.

1415. From what are you quoting?—The report of the Java Bank dated 14th of last October.

1416. You can give it us down to October?—It is the published balance sheet of the Java Bank, which gives gold specie 4,300,000 guilders and bullion 900,000, so that there is a little over 400,000*l.* altogether.

1417. Is the balance of trade in favour of Java?—The exports exceed the imports. That is all the gold in the country, beyond some English gold sovereigns which are imported for sale to the natives, who use them for various purposes.

1418. Is that amount considerable, do you suppose?—Not very considerable. One does not see gold in circulation. Those gold coins seem to remain with the Java Bank. There is not any demand for them, people do not ask for them.

1419. Has the trade of Java been growing much during the last few years?—I should not say it has been growing very rapidly. The sugar-planting industry is being pushed pretty considerably just now, and new mills are being erected, and I think it is pretty certain that in the course of a few years the exports will take a large start.

1420. Are there any means by which gold can be obtained in exchange for silver or notes?—The Java Bank will give gold for notes to a small extent; in small amounts.

1421. But there would be no means of insisting upon an exchange of gold for silver?—No, it is entirely at their option. They do it just now, but I suppose, if there was a large application for it, they would simply have to stop.

1422. (*Mr. Currie.*) And yet the guilders circulate at the ratio; there is no agio on the guilders?—Not the slightest. There is a means of getting gold. One can buy bills on London at the rate of about 12 guilders.

1423. But 12 guilders will buy the gold, not 13?—Oh, no, there is no premium on bills on London. A man who has money in Java and wants to turn it into gold can do so by buying bills on London.

1424. (*Sir Reginald Welby.*) But, if he went to the bank, he might have to pay an agio?—The Exchange Bank would charge him the rate of the day.

1425. (*Lieut.-General Strachey.*) There is a statement made in this paper which we have from Mr. Kensington; "... it is clear that gold is "used rarely under any circumstances, and practically "never in the interior of the Island. Mr. Zeverijn "mentioned that, when travelling in the interior last "year, he had tendered gold pieces (10 guilders "each) in payment of a charge for Government post "horses, and that the coins were actually refused. "From curiosity I obtained a few gold pieces to try the "result. I found that they were accepted at railway "stations without demur; that they were accepted, "but with exclamations of astonishment, at a Dutch "shop in the principal street of Batavia; and that "they were altogether declined at a native shop in a "bazaar at Garoet, 200 miles up country, though a "Java banknote for 10 guilders was at once taken "without question. There seems no doubt that the "great mass of the people neither know nor feel the "existence of the gold standard in any way." Does that conform to your experience?—That is quite true. The natives do not know Dutch gold, they know an English sovereign better than they know a Dutch gold piece, because they use the sovereign for ornament, and they know its value.

1426. (*Sir Thomas Farrer.*) Was there any remonstrance on the part of the natives when the change was made?—Oh, no; the views of the natives are not taken into much consideration in Java.

1427. (*Mr. Courtney.*) And they are unconscious of what is being done?—Yes, quite, I should think.

1428. The coolie wages are down to about the lowest level?—They are down, yes. They vary from 25 cents to perhaps 70 cents, according to different districts—Dutch guilders cents,—that is, from about 5*d.* to 1*s.* 2*d.*

1429. But they have been reduced; coolies' wages have been reduced within the last 10 years?—Yes, on sugar plantations; they have been reduced on the whole, but still nothing very seriously.

1430. (*Chairman.*) Have they been reduced generally in other industries, or is it merely in the sugar plantations?—Well, specially in the sugar plantations.

1431. (*Mr. Currie.* And how do they compare with the wages of the cultivator in India?—I am not quite aware; I could not say what they are in India.

1432. (*Lieut.-General Strachey.*) The wages of an agricultural labourer in India would probably not be more than two annas a day, that is the eighth part of a rupee. I understand that the wages in Java would be about a quarter of a guilder?—I should think an able-bodied coolie on a sugar estate would get probably 30 cents or 6*d.* a day.

1433. (*Mr. Currie.*) But what are these coolies, are they natives of Java?—Natives of Java.

1434. Not imported coolies?—There are no imported coolies.

1435. (*Lieut.-General Strachey.*) The Malay population?—There is a population of 20,000,000 on the island.

1436. (*Mr. Courtney.*) What I was asking you was this; there has been a reduction of the wages of the sugar coolie; is he able to get with his reduced wages as much of what he wants as he used to; has there been a corresponding alteration in the price of the things he consumes?—There has been a great fall, I should say, on almost every imported article.

1437. On the things he consumes?—That would be cotton goods.

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1438. Cotton goods?—There has been a very big fall in the value of them within the last 12 years.

1439. So that it might be said that the appreciation of the florin has been followed by an apparent reduction of wages, but that the reduced wages command just the same commodities in consequence of the reduction of price?—Yes.

1440. (*Sir Reginald Welby.*) Does that reduction of price extend to rice?—Rice fluctuates very much. It has gone down and it has gone up very much within the last few years.

1441. (*Chairman.*) What is their staple of food?—Rice is their principal staple of food; but the native of Java plants his rice and the land is cultivated under a sort of communal system, and he gets his share in the produce. Each villager gets his share in the produce round the village. The greatest hardship, really, that the native in Java suffers from, is a want of actual cash to pay his taxes. He has to pay his taxes in cash; he cannot pay his taxes in kind, with the produce he grows. That is his principal hardship, to find the actual cash to pay the Government taxes.

1442. (*Mr. Courtney.*) That would not apply to a coolie, would it?—Oh, yes, they are all taxed, because this coolie who works at the sugar mill has an interest in the land himself; he is a rice-grower at the same time that he is a coolie working at the sugar mill, and I think that, if the free coinage of silver were introduced in Java, it would certainly put more money into the hands of the natives in one shape or other; wages would rise, and there would be an export demand also perhaps for various kinds of produce which are cultivated by the natives.

1443. (*Chairman.*) It would only have that result if wages rose in Java on account of the free coinage of silver or the depreciation of silver?—Yes, but wages would be certain to rise, I think, and it is not only a question of wages, but the sugar-planter hires his land from the native villagers to plant his sugar; the higher the price of sugar, the more competition there is for that land; there would be an increase of the area under cane, consequently the native villager would get more money into his pocket from this hire.

1444. But that assumes that prices go up by reason of the depreciation?—Well, that I should think would be a certainty. The free coinage of silver would send up the principal articles of export in Java. If I may be allowed, I would read a line or two from Mr. Van den Berg's report:—"With silver quoted at 45*d.* per "ounce standard in the London market, the par of "exchange between London and Batavia would move "from 12f., the actual rate, to 16¼f. per pound "sterling, in case free coinage of silver, either "for the whole realm or for the Indian posses-"sions only, were again allowed by the Home "Government. Thus exporters would be enabled "to pay 35 per cent. more than at present for all the "sugar, coffee, indigo, &c., they buy from the planters, "and without any rise of prices in the consuming "markets our local prices for exports would go up, "say: for sugar, from 8f. to 10.80f. per pecul; for "coffee, from 40f. to 54f. per pecul; for indigo, from "4f. to 5.40f. per pecul; for tea, from 0.50f. to 0.675f. "per pecul, &c., &c., a rise more than sufficient to "remove the evil effects of the crisis under which "agricultural enterprise in Java is actually suffering."

1445. But that has also been going on in India; experience has shown that hitherto neither wages nor prices have substantially gone up, notwithstanding the fall in silver and the depreciation of the rupee. However, you think in Java there would be a rise of prices and wages?

1446. (*Mr. Courtney.*) The two sets of phenomena would be perfectly reconciled, if you took the hypothesis that there had been no fall in silver, but that there had been a rise in gold?

1447. (*Chairman.*) But, supposing that the silver prices of products and wages rose in Java, would exports be stimulated, or would the situation be just what it was before?—I think it would give a great impetus to erecting new mills for instance, and increasing the production of sugar and coffee. I think it would be bound to do that.

1448. Then why would it be more profitable; suppose the gold price to remain the same, you get more silver, but then you have to pay higher wages and spend more?—Oh, that is exactly the argument on the other side; you have to pay more for your imports, of course, sugar machinery would cost much more, everything imported would cost much more, and that is the line which is generally taken up in Java on the subject.

1449. That is to say by those who contend that it would not stimulate exports?—

1450. (*Mr. Currie.*) Who are the people who would erect sugar mills and machinery in Java; are they Dutch capitalists?—Dutch capitalists principally.

1451. And do you think that an uncertain and possibly falling exchange would attract them to increase their investments in Java?—No, I do not. Such a measure would be against the fixing of money from Holland out in Java, except in so far that, if the change were made now, the money could be sent out at a low rate.

1452. Yes, but would not the free coinage of Java possibly have to be carried on in the face of a still lower price of silver?—Oh, of course that might be.

1453. (*Sir Thomas Farrer.*) What would Java get in exchange for her increased exports?—In the shape of imports.

1454. Assuming that you had free coinage of silver, and exports were stimulated, what would Java get in return for those exports?—I suppose, if it increased the general prosperity and brought a greater flow of money into the country, it would bring a greater expenditure on imports.

1455. But would not that check imports?—Well, of course, imports would rise in price.

1456. She might get silver, might she not?—Well, I could not say as to that.

1457. (*Chairman.*) If the imports rose in price as much as the exports, there would be no balance of advantage, would there?—The exports exceed the imports now, and one would suppose they would still more largely exceed the imports in such a case. But I do not think that the question of free coinage of silver in Java is likely to come up; the gap now between the actual price of silver and the price at which it is fixed there in relation to gold is so large, that it would be too much of a revolution to attempt at once to make the change. The official interests alone are so great,—the officials in Java have their salaries fixed on that gold basis, and their pensions,—that they would never agree to have such a change made. I do not think it is a question which will ever be really brought up in relation to Java.

1458. Do you think that, owing to a continually fluctuating exchange, the trade is relieved of difficulties from which it would otherwise suffer?—Undoubtedly from a merchant's point of view it is a great advantage to have a fixed rate of exchange, or so far fixed that the fluctuations cannot be beyond a little on either side. There is a stability in the rate of exchange.

1459. (*Mr. Currie.*) To what extent does the exchange fluctuate, can you tell us?—It is only a question of a percentage each way; you see it cannot be more than it costs to make a remittance in coin, which is only the freight and the insurance on it, the coin used in Holland and Java being identical.

1460. But that remittance of coin is always from Holland to Java?—Not always; of late it has been going back to Holland. There is a flow one way or the other generally going on, and that keeps the rate of exchange steady; it cannot go beyond the cost of remitting coin. When once it goes to a certain point, it is cheaper to remit coin home or bring coin out.

1461. (*Chairman.*) Except that you cannot always get the coin, can you?—Oh, you can always get the coin.

1462. But the coin always goes one way?—Oh, no.

1463. (*Sir Thomas Farrer.*) It goes backwards and forwards?—It goes backwards and forwards.

1464. And the silver?—Only silver coin is sent; very often it never even goes into circulation. The packages come out and go back just as they have arrived, without having been opened.

1465. The packages of silver?—The packages of silver coin, yes.

1466. (*Mr. Currie.*) But a great part of the exports are on Government account?—A considerable proportion of the exports of coffee and tin are Government exports.

1467. (*Sir Thomas Farrer.*) And the silver goes backwards and forwards as coined silver at the gold price, and not as bullion?—As coined silver.

1468. At the high ratio?—Yes, at the high ratio, and that is what keeps the exchange for bills as steady as it is.

1469. (*Mr. Currie.*) Well, but then that would not affect the trade between Java and England, for instance, would it, because Java could not remit to this country this coined silver?—Oh, no.

1470. But the great export of sugar is to England, is it not, from Java?—No, it is financed principally in England.

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1471. It is not consumed in England?—It is not chiefly consumed in England; it is financed principally by bills on London, but the sugar is not consumed here, except to a limited extent. But, as to what you were mentioning just now, one cannot remit Dutch coin to England, but, by remitting it to Holland, you can buy a bill there on London, so that you can get it in the same way. It is practically remitting gold; you have always got your gold value.

1472. (*Sir Thomas Farrer.*) And then in Holland there is gold which can be bought, is there not, for remittance to England?—I think so. Holland is exactly in the same position as France, I think, if I am not wrong.

1473. But there is a reserve of gold there which can be obtained in some fashion or another?—Yes, I think so.

1474. (*Sir Reginald Welby.*) You say the natives of Java do find a difficulty in getting coin to pay their taxes; therefore, at the present moment, it can hardly be said that there is a sufficiency of circulating silver coin?—There is plenty of coin in the country, I should say, but it does not come into their hands; that is to say, although they are well off as regards food, as a rule there is a want of cash.

1475. A want of silver?—A want of money.

1476. Coin?—Yes, or bank notes.

The witness withdrew.

Mr. Stephen A. Ralli called in and examined.

Mr. S. A. Ralli.

1477. (*Chairman.*) Mr. Ralli, your firm of Messrs. Ralli Brothers have large business transactions with India?—Yes, my Lord.

1478. And have had for many years?—For many years.

1479. Both in the way of exporting goods from this country to India and importing Indian produce?—And importing.

1480. What is the nature of the produce that you import?—That we import from India?

1481. From India?—We import from India wheat, seeds of all quality, cotton, jute, indigo, rice, saltpetre, gunnies, shellac, and several other minor articles.

1482. Those you have named are the principal?—Yes.

1483. And then what do you send to India?—We send Manchester goods, metals, and petroleum.

1484. In the carrying on of your business with India, have you experienced difficulty owing to the fluctuations which have taken place in recent years, more particularly in the rates of exchange?—No, my Lord.

1485. Have you taken any special steps to avoid those difficulties?—Yes.

1486. What is the nature of the steps taken?—When in 1873 the demonetization of silver by the German Government took place, we took immediate steps not to have in India any rupee assets which were not secured by sterling. We took them in 1873.

1487. And have you continued that practice?—Until now.

1488. Are the goods that you export to India exported by you for sale there, or on orders from India?—Both. The business is principally done on orders from and to India and Europe, as well as from and to India and America.

1489. As regards the orders from India, do you think that that business is at all affected by the uncertainty as to exchange?—The orders sent from India for Manchester goods, metal, and petroleum from America?

1490. Yes?—No, we take steps to secure the exchange.

1491. But do you think that the uncertainty of what the exchange will be at a subsequent date, when the goods arrive in India, affects at all the extent of business or the orders given?—It does not affect the extent of our business at all, because we buy, for instance, now in Manchester, goods to be delivered in Manchester three or four months hence, to arrive in India, say, six months hence. Well, immediately the business is done, the forward exchange is secured either by purchases forward of produce or from the banks.

1492. Our attention has been called to a memorial by certain native traders at Kurrachee, in which they state that their business has been very much paralysed owing to the great fluctuations in exchange?—Yes, I know that memorial.

1493. You are acquainted with it?—Yes, but we attach very little importance to such memorials. You can get them very easily; the reason why this memorial was sent was because the exchange in 1890 rose considerably, consequently the prices of Manchester goods fell in proportion, the natives had not secured the exchange, and in consequence they met with losses.

1494. Then the losses and difficulties would be inevitable, unless the exchange were secured?—It is the system which we have always followed since 1873; we keep ourselves, as far as practicable, square, that is at no time were we to a material extent either long or short.

1495. And do you find it practicable to cover yourselves completely?—Perfectly.

1496. But, supposing the risk to be avoided by an exchange operation, that is owing to the risk being taken by some one else?—Well, that is not our business.

1497. But, then, if the risk is taken by somebody else, you must pay them something for taking that risk?—Certainly, and it is a calculation in the cost; we calculate whatever we have to pay in the cost of the goods which we buy and sell.

1498. Then this expense of avoiding the risk must add to the cost of the goods?—It is a very slight expense, if any; very slight, because we can buy produce forward, and we can buy and sell exchange forward at the banks at about the same price as the present exchange. Sometimes there is a slight loss; sometimes there is a slight profit.

1499. Do you think that the decline in silver has increased production in India?—I do not think there can be two opinions upon that point; that is an evident thing. No man who has any practical experience of India and of the export trade, of the business in the interior, can have any doubt whatever that the decline in silver and the decline in exchange have materially conduced to the great development of the export trade.

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1500. Why do you think the decline in silver has contributed so much to the development of the trade?—For an obvious reason, that, the lower silver is, the lower is the rate of exchange; when other things remain the same, we can afford to give higher prices in rupees to buy our produce.

1501. That is to say, India can afford to give?—Yes, we exporters can afford to give to the native much higher prices than previously.

1502. Higher rupee prices?—Higher rupee prices, yes.

1503. You are speaking now of the goods that are exported from India to England?—Yes.

1504. But the suggestion has been made in some quarters, that the effect of the fall has been to enable the Indian producer to take the same rupee price, and therefore that the result has been to lower the gold price of Indian products?—Prices in rupees now are higher than what they were when the exchange was at 2*s.*, and for some goods much higher.

1505. What are the principal products that have a higher rupee price than they had?—I have not the table before me; but, if you take the various products of India, you will find that the rupee prices of most of the produce are now higher than what they were when the exchange was at 2*s.*, because the selling gold price has not fallen so much as the price of silver and the rate of exchange.

1506. Has not the fall in some products been as great? Take wheat, for example. The gold price of wheat has fallen as much as the exchange, has it not?—Well, the gold price of wheat now is 30*s.*, for argument sake, instead of 50*s.* previously; but I must say that freight has declined considerably; that the railway rates from the interior to the sea-ports have also declined considerably; and these two items, added to the great decline in the exchange, have enabled us exporters to pay full prices in rupees to the natives for their wheat.

1507. (*Mr. Currie.*) May I ask you, Mr. Ralli, this: You say that exports have been stimulated first by cheap silver?—Yes.

1508. And then by low freights and increased railway facilities?—Yes; decreased railway carriage.

1509. To which of those two causes do you attribute the greatest effect upon exports?—To the decline in silver certainly, because the decline in silver has been from 2*s.* to 1*s.* 3*d.*

1510–11. (*Sir Thomas Farrer.*) Do you think that a depreciating currency is good for the industry of a country? Do you think that, for instance, in this country we should largely increase our exports and our trade by depreciating our currency?—I am not prepared to answer that question. I only give you my experience as regards India.

1512. (*Mr. Currie.*) But might it not be argued that it is the low freights and the increased railway facilities that have had the effect upon exports?—Partly.

1513. (*Sir Thomas Farrer.*) And you think, on the contrary, that the alteration in exchange discourages imports?—Into India?

1514. Yes?—No.

1515. If it has an effect one way, it ought to have an effect the other, ought it not?—Sir David Barbour, the Finance Minister of India, wrote some years ago that exports in India make imports. I quite agree with that. When you give to the native a full price in rupees, the native makes a profit; this profit enables him to buy imports.

1516. But a smaller quantity of imports?—Besides, during the last 20 years the gold price of imports to India has very much decreased. For instance, Manchester goods were bought on a basis of 8*d.* for American middling cotton. American middling cotton was worth a few months ago 3½*d.* It is now worth 4⅞*d.*, and the prices of Manchester goods have followed the decline in cotton. Copper was worth between 80*l.* and 100*l.*; it is worth now 46*l.* Therefore, the native who gets a full price in rupees, and who is, as we know from all the accounts we get from our agents in the interior, decidedly prosperous, can afford to buy imports with the profit which he makes by his produce.

1517. (*Chairman.*) But, if he gets more rupees, those rupees are worth so much less than they were?—Not to the native, no. The natives in India feed on rice. Their expenditure to clothe themselves and to house themselves is exceedingly trifling, and the extra number of rupees which he gets is nearly all profit.

1518. (*Mr. Currie.*) Do they not buy copper vessels?—Yes, when they are wealthy.

1519. But then it would take more rupees to buy copper?—No, because copper has declined from 80*l.* and 100*l.* to 46*l.*

1520. (*Chairman.*) Yes, but that is an accident that arises from other causes, and not from the fall?—Oh, yes.

1521. If there had been no fall from causes in connection with this in the produce imported into India, which the native buys, the native, though he got more rupees, would have been able to buy no more?—But, as a matter of fact, the gold price of imports to India—all the principal imports to India—has fallen very materially.

1522. As regards the wheat trade; that came into existence, did it not, after the opening of the Suez Canal?—Principally, yes.

1523. What is the most important of Indian exports?—The most important Indian export I should say, certainly, is the wheat and seed trade.

1524. Is the cotton very large?—Yes, there is a large exportation from Bombay; but now cotton is consumed locally in India; by the Bombay mills to a very large extent.

1525. As regards the prospects for the future of production of silver and gold, do you think that the silver is likely to go on largely increasing in relation to gold?—We have for a long time past taken great trouble to make inquiries whether, at the present price of silver, more silver will be produced than the requirements for coinage and for the arts; but up to now, although we made our inquiries in the best quarters, it has been impossible for us to arrive at an accurate conclusion. As a matter of fact, when silver fell to 42*d.* in the American silver Western States, most of the mines were closed, and we know that from various articles which have appeared. Therefore, we are not prepared at all to say whether silver is likely to decline further or whether it is likely to improve, and I think that no one can form an opinion on the subject.

1526. You are aware of the proposal that has been made to adopt a gold standard in India, although maintaining a silver currency?—Yes, my Lord. Would you allow me to add to my evidence a few words there?

1527. Yes, certainly?—There is no doubt that the gold production in South Africa is fast increasing. This year it will be about five millions sterling, and we have the best authority to say that the minimum increase during the next five years will be at least at the rate of one million a year. That is, in five years' time all the probabilities are that the gold production in South Africa will be more than 10 millions sterling. Therefore, as we see evident signs of a large increase of the production of gold, and as no one can say that, at the present reduced value of silver, more silver can be produced than the requirements for coinage and art, our decided opinion is that things in India ought to remain as they are now, as the exchange may by natural causes rise hereafter.

1528. Should you say that, as a general rule, stability of the standard is not an important element in considering whether it is a desirable standard or not?—Yes, it is of some consideration, but I do not see that the measures proposed will establish stability in the currency. Our opinion is that they will not.

1529. Even if you were to adopt the gold standard and close the mints, and fix, as is proposed, a ratio for the rupee?—No; decidedly not.

1530. Would you favour the Committee with your reasons for saying that that would not give stability?—Yes, I believe that the closing of the mints against private coinage, with the adoption of a gold standard, with or without gold, may have very disastrous results. First, the natives hold a very large quantity of ornaments which from time to time, when they wish to make money out of them, they take to the mints, and by paying a seignorage of two per cent. they turn into rupees. Now, if free coinage be stopped, and the exchange goes, say, to 1*s.* 6*d.*, silver, according to all probabilities, owing to the great diminution of demand from India, will decline; and if, when exchange is at 1*s.* 6*d.*, silver can be laid down in India at 1*s.*, when the natives may want to exchange their ornaments into rupees, instead of being enabled to do so by paying the small seignorage of two per cent., they will have to submit to a loss of about 31 per cent. The mints have been open in India to free coinage for a very long time past, and the natives reckon upon being able to exchange silver against rupees with the above two per cent. seignorage. Therefore, as soon as, by artificial means, instead of their loss being only two per cent., the loss is increased, say, for argument's sake, to 30 per cent., they will say that they have been defrauded of the difference by the Indian Government. Secondly, the land tax is, according to our information, renewed every 30 years, except in Bengal, where it is permanent. It is paid in rupees. When the natives see that the rupee, owing to the closing of the mints to free coinage, has increased in value, whereas silver has decreased, as among them there are professional agitators who are very clever men, they will be taught to say that they have been defrauded by the Indian Government, we may see a no-rent agitation, and the Government would have then to deal with a most important question.

1531. But, supposing that the rupee were raised to something less than the ratio which existed at the time the tax was fixed, there would be no real wrong, would there?—No, but the native will say, "Now the rupee "is worth 1*s.* 3*d.*, and you have a contract with me to "pay me in rupees, and I can buy rupees by taking "silver to the mint and turning it into rupees on "paying you only two per cent."

1532. But last year it was worth——?—One shilling and fourpence.

1533. No, up to 1*s.* 8*d.*?—One shilling and fourpence last year.

1534. Well, the year before last it was up to 1*s.* 8*d.*?—Up to 1*s.* 8*d.*

1535. Well, if it were fixed at something like an average, I do not say that you may not be right, that there would be variation; but there would be no real wrong done, would there?—Well, you have to deal with the natives who will tell you: "Whereas "previously you took from me two per cent. to turn "my silver into rupees; now, instead of two per "cent., you take 20 or 30 per cent., therefore it is a "breach of contract, and we have been defrauded by "the Indian Government."

1536. (*Sir Thomas Farrer.*) And is there not a third reason why the alteration suggested should do harm to the people of India according to your view, namely, that to stop the depreciation of the rupee would injure the Indian export trade; is not that your view—I want to get it from you?—Oh, what you wish to ascertain from me is, suppose that the exchange was to go up to 1*s.* 6*d.*, whether the development of the export trade may not be arrested.

1537. (*Chairman.*) Yes?—Well, I believe it will.

1538. (*Sir Thomas Farrer.*) And that is a third evil.

1539. (*Mr. Currie.*) May I ask you this: You say that the native of India would agitate, and would resent any artificial fixing of the value of the rupee?—Yes.

1540. But how would he like, for instance, the doubling of the salt tax?—The salt tax? I must tell you, gentlemen, that we are not experts in these matters; we are only practical men dealing with imports and exports and with the Indian exchanges. I had to make inquiries lately, and I am informed that the salt tax was materially reduced some years ago, and lately it has been somewhat increased. My informants tell me that, as the Indian people are now prosperous, they could bear an increase in the salt tax. They also tell me that, when the land tax expires in certain provinces (and every year in some provinces, I am informed, the land tax expires and is renewed), on the renewal of the land tax some increase might be made.

1541. But I do not quite follow why the particular alteration that you speak of should create political dissatisfaction. Surely the only cause of dissatisfaction would be that it would take more out of the pockets of the native. He has no sentimental view, has he, as to the free coinage of the rupees—you argue that he would feel it in his pocket?—Yes, exactly.

1542. But would not he feel the increase of the salt tax and the land tax in his pocket, and why should one produce political discontent and the other not?—Every increase of taxes in the most prosperous nation brings discontent. For instance, if here you were to double the income tax, we should be very much dissatisfied ourselves, but that would not mean that we could not pay double income tax.

1543. (*Chairman.*) You admit of course that the Government of India must make both ends meet?—Yes.

1544. And that the continued fall of the rupee does involve the difficulty that they have to find the means of doing so?—Certainly, but the Indian finances during late years have been very prosperous. If I am not mistaken, during the last three years the Indian Government has expended in public works, principally irrigation works, 12,000,000*l.* sterling, without making a loan; therefore, up to now, the finances of India have been very prosperous.

1545. Do you not think that the constant exchange variations are calculated to diminish the investment of British capital in India?—As far as we are concerned, we have not certainly diminished investments which we have been making in India, because Indian investments pay a much higher rate of interest than English investments, and therefore we can afford to run the risk.

1546. Has not the extension of railways been somewhat checked, owing to the difficulty which some feel in increasing their gold obligations?—The construction of railways in India?

1547. Yes?—I am not prepared to answer, because I have not studied that question.

1548. You would agree that it is natural that the Indian Government should under existing circumstances be unwilling to increase its gold obligations?—Well, I am prepared to tell you, gentlemen, what I think will be the remedy, when the time comes that the Indian Government cannot make both ends meet.

1549. We should be very glad to hear it?—I should see whether the revenue cannot be increased by other means; by the salt tax, by increase of the land tax, and other means; but, if I saw that the deficit could not be covered by such increased taxation, then, rather than tamper with the currency of India and diminish the confidence felt by the natives in the rupee, I would tax all imports and exports, and put at the same time an excise duty on the production of the Indian mills for home consumption. I have spoken to several friends of mine who are in the Indian trade, and who are certainly experts in that trade, who, like ourselves, have a great interest that there should not be any duty on the exports and the imports; and the opinion of these gentlemen, whom I consider the most competent men in London, is to the effect that it is much better to impose duties on the exportation and importation, including an excise duty on the production of the

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mills for the home consumption, than to tamper with the currency, such duties being kept only so long as they are absolutely necessary.

1550. Are you acquainted at all with the circumstances of the introduction of a gold standard in Java, and the results which have followed?—We do not do business with Java and Sumatra; but there is this great difference, that the silver currency in these countries can be sent to Holland and exchanged for gold. If therefore—which I do not believe for one moment—Her Majesty's Government is disposed to allow us to export the rupees to the United Kingdom, and exchange them for gold at a certain rate of exchange, then the position would be the same as the position of Holland with Java and Sumatra.

1551. But is it the case that in Holland itself you can exchange any amount of silver guilders that you please for gold?—So I am told. I am told that you can ship the silver guilders from Sumatra and Java, have them sent to Holland, and exchanged for gold.

1552. But not to any extent?—Well, that is the law. If Her Majesty's Government makes a similar law, the question is settled.

1553. (*Mr. Currie.*) But exports will surely be checked then, according to your theory, even if that were done?—Yes; the higher the exchange, the lesser will be the development of Indian exports.

1554. If a low exchange makes the export, then exports would be checked?—Yes, the higher the exchange, of course the lesser the tendency to the development of the trade. As I said, Sir David Barbour has written that exports make imports, and that is certainly true of India.

1555. (*Sir Reginald Welby.*) We have had evidence that silver cannot be exchanged for gold in Holland?—I am very much surprised to hear that.

1556. (*Chairman.*) Is there any other point upon which you would desire to add any observations?—I may add this, that it is very likely that, if the free coinage be stopped, the amount of silver going to India and bought there not for coinage, which amounts now to between 1,000,000*l.* and 1,500,000*l.*, may be increased to 3,000,000*l.* or 4,000,000*l.*; but that the balance of the trade, which is so much in favour of India, may be reversed, and in that case the Government will not be able to sell their Council bills.

1557. (*Sir Thomas Farrer.*) I do not quite understand you; do you say that the current of metal would be reversed?—The current of the trade.

1558. The current of silver to India would be reversed?—No, the current of the trade. Now, there is a very large difference between the exportation and importation. If I am not mistaken, the excess of the exports over the imports to the gold-using countries is 10,000,000*l.* sterling, and to the silver-using countries 16,000,000*l.* sterling. Therefore, the export trade of India with the silver-using countries will be very much affected by a rise in the exchange, when at the same time silver is likely to decline.

1559. (*Mr. Currie.*) But, when you say silver-using countries, Mr. Ralli, you do not mean that India receives silver in exchange for all her products from those countries, do you?—For the opium and the goods they send to China and Japan, they receive some silver, but principally bills on England.

1560. The greater part of what they receive is surely not in the form of silver?—They receive some silver.

1561. (*Sir Thomas Farrer.*) Is the operation you are now speaking of due to the fact that so much silver will not be imported into India; is that what you mean?—What I say is, if the free coinage is stopped, of course the silver which will be imported into India will be very much reduced; but what I think is that the importation of silver which is used in India for ornaments, and which is estimated now at, say, 1,000,000*l.* to 1,500,000*l.*—it is about one-seventh of the import—will increase; because, when the natives see that silver is so much cheaper than the rupee, instead of having rupees for ornaments, which they have now, they will buy silver. What, however, may also happen is that the natives, having lost confidence in the rupee, will want to exchange their holdings for gold, and a great panic will be the consequence.

1562. I wanted to ask you one question with regard to your former evidence. We have heard from some manufacturers that they have made a contract forward, as you say you make yours, for the payment of a given price at a particular day by a native merchant. The exchange rises in the meantime; the other native merchants who have not made forward contracts are able in consequence to buy the same goods with a smaller amount of rupees; and consequently the person with whom the first manufacturer has made his contract is not able to perform it, and the Lancashire manufacturer loses in consequence. Has anything of that kind come to your notice?—Certainly, in 1890 we lost 12,000*l.* by making allowances to our native buyers forward; but this will take place equally under other circumstances. Suppose now, for instance, you make contracts in Manchester, selling at the same time the goods in India, and, though the currency is stable, the price in Manchester declines afterwards 20 or 30 per cent., you will be exactly in the same position.

1563. It is only one element amongst many?—One element amongst many.

I must add to my evidence that, as I have put in my statement, I think that the conduct of the Indian Government towards all European officials receiving their pay in rupees has been decidedly unfair, according to our notion; that their pay ought to have been increased, because part of it must be remitted to England to defray the expenses of their families. As a matter of fact, several years ago we have dealt in this way with our European employés in India receiving their salaries in rupees. We allow them on half their salary the difference between the average telegraphic exchange of the year and 1*s.* 7½*d.*, and they are all satisfied. Government should have acted in a similar way.

The witness withdrew.

Adjourned till Saturday, November 19th, 1892, at 11 a.m.

At the India Office, Whitehall, S.W.

SIXTH DAY.

Saturday, 19th November 1892.

PRESENT:

THE RIGHT HON. LORD HERSCHELL, THE LORD HIGH CHANCELLOR, THE CHAIRMAN, PRESIDING.

THE RIGHT HON. LEONARD HENRY COURTNEY, M.P.
SIR THOMAS HENRY FARRER, BART.
SIR REGINALD EARLE WELBY, G.C.B.
LIEUTENANT-GENERAL STRACHEY, C.S.I.
MR. ARTHUR GODLEY, C.B.

MR. HENRY WATERFIELD, C.B., *Secretary.*

MR. WILLIAM FOWLER called in and examined.

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1564. (*Chairman.*) You have given considerable attention to currency questions, Mr. Fowler?—Yes.

1565. And you are aware of the difficulties which have been experienced by the Government of India financially, owing to the fall in the value of silver and the consequent fall of the rupee?—Yes.

1566. Have you considered the remedies which have recently been suggested as desirable by the Indian Currency Association?—I have seen a long speech from Mr. Mackay, and I have considered those remedies, which I understand to be three; that is to say, first, stopping the free coinage of silver in India; the second I understand to be the establishment of a gold standard, either with or without a circulation of gold. That I understand to be what are the three remedies—or rather two remedies—that are suggested.

1567. (*Mr. Courtney.*) Is not the free coinage of gold an essential part of his scheme?—I was not aware—I have seen it put both ways, so I have put it in that alternative way.

1568. *De facto* no gold currency might be established, but the potentiality of freely coining gold is, I understood, an essential part of his scheme?—Perhaps I ought not to refer to Mr. Mackay alone, but I have seen it suggested in both ways, and, therefore, I mentioned it; but I do not myself understand how a gold standard could possibly work without a gold circulation. But that is another point.

1569. (*Chairman.*) As regards the stoppage of free coinage, do you think that there would be any danger in such a step?—I think it would be extremely dangerous.

1570. Would you give your reasons?—My chief reason is this, that I think it must give rise to great fear amongst all holders of silver in India, that, for some reason or other, which perhaps they would not fully understand, the Government were afraid of silver as a circulation, and were going to give it up; and knowing, as I suppose we all admit, the extreme sensitiveness of the natives with regard to questions of money, I cannot help thinking that the stoppage of free coinage might produce a great alarm amongst them, and that of itself would be a very serious matter if they felt as if their coins were less valuable on account of such an operation, it not being a reduction of value arising from commercial causes, but from an action of the Government, the reasons for which they would not, I believe, understand in the least, because, as I am told, the rupee is a rupee now, as it always has been, in India, and is to all intents and purposes as valuable as it ever was to the ordinary holder.

1571. Supposing the free coinage of silver were stopped, but the Government were to coin, we will say, the amount which on an average had been coined during a certain preceding period, would the same danger arise, do you think?—Well, I think that we must look at it a little on the question of principle also. It seems to me that to have a standard money, without free coinage of that money, is contrary to all acknowledged principles of monetary legislation; and I think such a step would be more dangerous in India even than it would in England, because of the poverty of the people and their general want of education, and their extreme sensitiveness with regard to all questions of money, they being a saving, not to say a hoarding people, and hoarding their property, not only in the form of coins, but very largely in the form of silver ornaments. I think it would be extremely dangerous to give the idea that the Government were going to give up silver as money, and as the money of India. You know what the native newspapers are, how active they are, and—well, I suppose one might almost say—wanting in much consideration for the Government in the things they say; and I fear that it would be an extreme danger to the rupee, and to silver generally, and, as I have put it somewhere else, it would be a blow at silver—aimed at silver by the greatest user of silver in the world. That is the general view that I have taken of it.

1572. Do you think that its effect upon the silver market would be serious?—I think it might be very serious. I think that was gone into in the final report of the Gold and Silver Commission in 1887 a good deal, at page 55, paragraph 176. I do not know that it is necessary to refer to it now, but I think it might have a very serious effect upon the market for silver.

1573. Do you think that the value of the rupee would be certain to be raised by such a restriction?—I think it is very difficult to say how that would be. The idea I have had about the market has been this. Now you can send silver to India freely, banks or anybody can send silver, knowing that, when it gets there, it can be coined into rupees. Then, of course, you could not send it with a certainty of a free market for it; the Government might not be coining at the time any large amount; the Government might not be willing to buy it. Only yesterday I saw a very large merchant connected with India, and he was mentioning this, which he thought a very important point. Take, for instance, last year. The trade last year between China and India—China sent in silver 3,900,000, I think it was, or some such figure, of tens of rupees. Now, if the Chinese thought the market was uncertain, it would be a very serious injury to that trade. I mentioned the matter also to the manager of one of the largest banks. He said, "Anything like such a proposal as you have mentioned would cause complete dislocation of the "trade between China and India, and also between "the Straits Settlements and India." And I think that is a very serious consideration for the Indian Government, because, as we all know, the trade between China and India is one of vast importance to India at this moment.

1574. Is there a considerable trade between India and the Straits Settlements?—The amount of silver sent last year was about 1,500,000 tens of rupees;

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but I think a good deal of that may have been sent to the Straits Settlements from other countries, with orders to send it to India.

1575. It may have been one means of China paying India?—China sends direct; not from the Straits Settlements. You will find in the Statistical Abstract they are put separately, and I believe it is an entirely distinct trade. The silver from China to India was 3,629,769 tens of rupees, and the Straits Settlements 1,294,705.

1576. (*Lieut.-General Strachey.*) That was in 1890-91; the previous year it was much less?—It varies very much; but it is always a large and important trade.

1577. (*Chairman.*) The silver seems to have been only of a considerable amount in 1890-91?—The previous years are much less.

1578. Well, inconsiderable almost; the previous year is Rx. 182,000?—No, I beg your pardon, not according to my figures.

1579. 1890-91, Rx. 1,294,705: the year after that Rx. 47,478?—According to the Statistical Abstract, page 226, the previous year was Rx. 931,464, the previous year to that Rx. 1,938,553, the previous year to that it was Rx. 1,627,842.

1580. Whence is that?—The last Statistical Abstract, page 226.

1581. But the imports from what countries?—"Value of treasure imported into British India" by sea, "distinguishing countries whence imported, in "tens of rupees."

1582. (*Mr. Courtney.*) They give the total; not the Straits Settlements?—Yes.

1583. (*Chairman.*) What is the amount from the Straits Settlements?—The Straits Settlements is quite small, except the last year. That is quite right; but China is the one that they lay most stress upon. I think the Straits Settlements must have been exceptional last year.

1584. Yes, it evidently was?—But the Chinese trade is really the important trade in the matter. You asked me about raising the value of the rupee. Of course it would be very difficult to say whether it would rise or not; but, if I am right that the market for silver would be affected, I think it is extremely doubtful whether the rupee would be raised in value permanently. The natives would desire to get rid of the rupees, and it would not tend to increase the value of them.

1585. If you think the rupee was, as you say, the rupee still, would there be any desire to get rid of them?—As long as things go on as they are, they have no desire to get rid of them; but, if the Government show a want of confidence in the rupee by refusing to coin for everybody, it seems to me that it is extremely doubtful what the consequences would be. I am not going to predict exactly; I could not; but I am afraid that the consequences would be very injurious to the position of silver in the world. It seems to me to show an entire want of confidence in silver by the Government, and it is contrary to all the principles of dealing with standard money. I have been much found fault with by some people by being what they call "a gold bug," and always wanting to cry up gold. I feel nothing of the kind. I think silver is most important in the currency of the world. I desire to do nothing that would injure the position of silver.

1586. By loss of confidence in silver, do you mean in the prospects and future of silver?—Yes; the prospects in the future, I mean; the general value of silver in the world. The action of the Indian Government will be watched by everybody.

1587. But is it possible to avoid a feeling of loss of confidence in silver, when silver has been continually declining in value as it has?—I do not know that the native has any reason to lose confidence in silver. Certainly the official has. He has to send money to England; but, as regards the native, I do not see that he has any reason to find fault with silver; in fact, whatever the cause may be, the prices of everything in silver in India have been a great deal more stable than prices in gold in Europe. Therefore I do not see why, at the present moment, the native should have any want of confidence in silver. It answers every purpose to him, and I think it would be very hard on him if the Government should try to injure the property which he holds. That is the view that I have taken of it.

1588. But, so far as he held coined rupees, if any step taken by the Government raised the value of those rupees in comparison with gold, it would equally raise the value of all he had hoarded, would it not?—If it had that effect, it might raise the value internationally, but not to him as an individual in the country.

1589. But would it make any difference, unless it affected prices?—Well, it might affect prices. I am not going to prophesy whether it would or would not. I think too, to attempt to cause a scarcity of coin by an artificial action of the Government is contrary to all principle and very dangerous. You do not know what you are about; you do not know what the effect would be; no human being could say; but I believe that meddling with the coinage of currency by Government is, as a rule, an enormous mistake.

1590. (*Mr. Courtney.*) There you are going away from the special point, I think?—This is a meddling with the currency.

1591. True; but I thought that Lord Herschell was asking you as to the possible effect of the change upon the rupee as in the hand of the peasant?—Well, I admit that, unless it altered prices, it might not have any material effect, except as causing an alarm, and making him feel want of confidence in silver, because the Government had set him an example of want of confidence of silver. We know how these things start. Alarm might be taken by some of the large holders—the great Rajahs—and spread down from them to the people, and this idea, I think, would very likely be diffused by the newspapers.

1592. (*Chairman.*) Now turn to the question of practicability, and the effect of a gold standard without gold in circulation; what have you to say?—I regard that as also another blow at silver practically, because it is saying to all the world they have lost confidence in silver, and they are going to take to gold. I do not know how anybody could regard it in any other light than that. That is the first impression that it would give, I think, to any mind.

1593. Do you suppose that there is now more silver coined than is necessary for circulation in India?—I am not aware of that. I have seen it stated that there was a deficiency of coin in India, but I do not know; I cannot say that on any authority.

1594. But, if the circulation is not redundant, and if the Government keep the circulation sufficient, why should there be such a serious fall in silver by an operation of this description, if as much silver would be wanted for India as was wanted before?—I do not know that I look at it quite in that light. I have thought of it in this way. Why should the Government want another standard; why should they lose faith in silver as the Indian standard? and, looking at it from the Indian point of view, leaving for the moment aside the question of the officials or the mere Government of India itself, I do not see why you want any other standard. You have got a standard that is more stable, from the mere price point of view, than the European standard; why should you want another standard? You are setting up a rival metal against silver.

1595. Supposing it were put in this way; that a very large portion of the trade of India is with gold standard countries?—Yes.

1596. And that the trade is hampered and rendered more difficult and inconvenient by a difference of standard, where the ratio is constantly changing, and that, therefore, it would be to the advantage of India to have the same standard as the countries with which she mostly deals; what would you say to that?—Nobody has ever proved that the trade of India is

injured materially by this, that I have seen. The exports have gone on increasing, and it is said, and I think with some justice, that the low exchange helps the export; but it is a very remarkable thing that, though the low exchange is, on the other hand, adverse to the operation of importing goods from England to India, the proportionate increase of the imports from England to India is greater than from India to England, and the increase has been very steady, and the trade is prosperous as a whole. The trade that is not prosperous and is troubled, is the trade of England; but, even as regards the trade of England, the amount that we send to India has increased very largely. As I said just now, the proportionate increase of our exports to India is greater than the proportionate increase of exports from India to England.

1597. Are you speaking there of quantity of goods?—Of values.

1598. But is it gold values or silver values?—In tens of rupees. I take them from this book.

1599. Yes; but then the same number of tens of rupees would represent a lower gold value now?—Yes; I think you will have the same in goods. In regard to quantities, there is a very considerable increase in the quantities of goods we send, and greater in proportion than there is in the export from the other side. The reason of that is not very clear; but the mercantile people that I have spoken to say that the real reason is, that we are able to send our goods now at such extraordinarily cheap rates, that the Indian people will have them; and, though that of course lessens the profits as regards our manufactures here, it is a very important consideration that India is taking so very much of our goods, notwithstanding all the adverse circumstances; and, if we were to raise the rupee by the action of Government, it is, I think, very probable that the exports of India to England would be reduced, materially reduced, and therefore the power of India to pay for our goods would be reduced, and I cannot see how the trade of India could be in any way improved by it.

1600. It would seem that, if you compare 1868–69 with 1891–92, the imports into India have gone up from 35,000,000 tens of rupees to 66,000,000 tens of rupees. If you take those both at the exchange of the year, it would in sterling be that they have gone up from 34,000,000*l.* to 46,000,000*l.*?—Which is that?

1601. That is the imports into India?—The imports into India? Yes, I have it here. Between 1881–82 and 1890–91 an increase from 46,992,084 to 69,034,900, page 206 of the Statistical Abstract, and on the other side the exports are an increase of 81,901,960 to 100,135,722. Therefore the proportion is much larger of the increase of the import than of the export.

1602. Well, if you take those in sterling, what was the first year you gave?—1881–82.

1603. 1881–82; if you take those in sterling, at the rate of exchange of the year, it will be from 67,000,000*l.* sterling to 75,000,000*l.* for the exports, and for the imports from 38,000,000*l.* to 52,000,000*l.*?—It cannot make any difference in the proportion, whether you are putting it into sterling or not; I am only speaking of the proportionate increase.

1604. It would alter the proportion, would it not, whether you took the tens of rupees or the sterling?—Well, I do not think it would materially alter it; it might slightly alter it, but I do not think it would materially alter it. I did not speak of the actual amounts, but I think it is admitted on all hands that the imports have increased proportionately more largely than the exports.

1605. Now, supposing that you were to adopt the gold standard, fixing a certain ratio between the rupee and the gold standard, and adopting free coinage, do you think it would be possible to keep the rupee stable at that ratio?—Then the question is, first, what ratio would you adopt, is it not; because it is quite an arbitrary matter what the ratio is to be. If you take the real value of the rupee in exchange, that we understand; but, if we are going to have a valuation fixed by the Government, the very first question is, what is to be the ratio? Whether you could maintain it is another question entirely; but my greatest difficulty is what is to be the valuation, on what principle you are going to value the rupee as against gold. Now, of course, there is no valuation as against gold. As between the Indian natives it does not arise; but, if you once start a gold standard, you almost inevitably must have to fix something or other as to the value of the rupee. And then you asked me, "Can you keep it up"? Well, I think that is a question extremely difficult to answer, and it would depend upon circumstances that none of us can foresee. But I think one thing is quite clear, that, if it led to a rapid rise of the prices of all things in India in silver, everybody who held rupees would feel as though they had been hardly used, because, if the trade is going on well, and if prices have not materially changed in India in rupees for the common people, if those prices did change against them they would feel that they were very hardly used by the Government, and not from any commercial reason whatever. If you could show that the present rate of the exchange ruined the trade of India, it might be a very different question, but it does not; nobody says that it does.

1606. Supposing the ratio to be fixed a little above the market ratio between silver and gold, I am not sure that I quite see why prices should go up in India?—Well, because you would require more rupees to pay for a given amount. I do not know exactly how it would work. I think, sometimes, there would be two prices in India if you had a gold standard, one a silver price and one a gold price; and I think that a man would say, "I will take one price if you give me gold, for "gold can be exported to all the world. I will not "take that price if you give me silver, because silver "only circulates here, and I cannot send it abroad." It seems to me that is a great danger.

1607. But he cannot now send his silver abroad?—No, but what I mean to say is that the man who has got the stuff to sell will want a different price in gold than in silver, if you bring in gold as a rival standard to silver. The thing is perfectly simple as long as you have one standard in the country; if you bring in a second standard, it seems to me extremely difficult to avoid great confusion. I do not think anybody could say exactly how it would work. We are speaking now of what Mr. Courtney, I think, called "an absurdity"—a gold standard without a gold currency.

1608. (*Mr. Courtney.*) I do not know that I said anything to indicate an opinion one way or another?—I thought you did in the first remark you made. I gathered that you thought that to have a gold standard without a gold currency would be an absurdity. You, my Lord, asked me a question as to the change of prices, which, I think, is extremely difficult to answer; but I think the tendency would be to damage the position of silver, and to make silver less usable in the country than it now is, and having a less value; and, therefore, prices in silver would tend to rise more than they would from the natural course of trade.

1609. (*Chairman.*) Have the fluctuations in our standard which you have described, resulted in people getting things more cheaply than they used to get them?—They have, undoubtedly, but I do not think that has arisen from the question of our standard; there we come to another point.

1610. But the Indian has not had that advantage?—No, he has not had that advantage; but we are always told—it seems to me a very curious thing—we are always told that we have suffered so much from falling prices and the appreciation of gold. Well, if that be so, we ought to rejoice at the depreciation of the rupee, I suppose; but I do not think the Indian would.

1611. Do you think that India would benefit by having a gold standard?—Well, I have said just now

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that, as far as I can understand, the tendency as regards the trade of India would be bad; it would be injurious to her trade. I suppose the idea is to get the rupee as near par as we can—the old par.

1612. No, I do not think that that is suggested, so much as the expediency of fixing it at some point or other, so as to prevent its going down indefinitely?—Well, to whatever extent you raise the rupee, and it is almost, I suppose, admitted by everyone that they wish to have it put at a moderate figure—not too low—to whatever extent you raise it, you discourage, I think, the exports of India, and thereby damage the trade of India.

1613. Supposing you fixed it at the market ratio at the time of fixing it, so that it would not raise it at all, but would only deal with the possibility of further fall; what should you say then?—Well, that would remove part of the difficulty, but then you have the point that you would fix the loss of which we hear so much as regards the Indian Government at a very high figure. I do not see exactly what you gain then.

1614. You gain the certainty, it is suggested, of not having a further loss?—As regards the certainty, I think there is an enormous exaggeration as to the danger of fluctuations as regards trade. I have made a great deal of inquiry in regard to that point, and I think the importance of fluctuations is greatly exaggerated.

1615. But, as regards the Government, you would not question that the difficulty is considerable?—Of course the difficulty of the Government is considerable; I never doubted that for a moment; but what I think we have to consider is rather the people of India than the Government of India, for this purpose; we have to consider this mass of people and this enormous circulation of rupees, rather than the mere question of the Government of India. I want to make some observations in regard to the Government of India presently. It seems to me that it would be much better to rearrange some parts of the finance, than to run the risk of doing great mischief by tampering, if I may use that word, with the currency of the country. Now, with regard to the fluctuations, I quoted before the Commission in 1887 some words of Mr. Goschen, and I think they have a great bearing upon what you have asked me now. They were spoken in the House of Commons on the 12th June 1879, and it is curious to look back and see that in 1879 there were just the same sort of complaints that are going on now: falling prices, bad business, and so on, and also this great fluctuation of exchange. Mr. Goschen said, "We have passed through "a period which has been viewed by all merchants "trading with India with regret and alarm. And "I do not wish to minimise these causes for regret, "if, on the other hand, I call attention to the fact "that this country has continually done a prosperous "business with countries subjected to no less violent "fluctuations in their exchanges. Look at the trade "with the United States when gold was at an im-"mense, but ever-varying, premium. Look at the "Russian exchanges, utterly without stability; and "the Austrian exchanges. Yet England has not "failed to do good business with such countries, "nevertheless." And he might have said the same with regard to South America at large. Look at the Argentine Republic and Chili; the enormous business that we have done, with exchanges continually fluctuating. I do not say that the fluctuations are good; but I say that the evil of fluctuation is enormously exaggerated as regards the trade of this country.

1616. Have you considered at all the question of Java, and the standard that was fixed there in 1875?—I have read something about it. I suppose you have seen a paper which has been sent to me with an extract from a report of the President of the Bank of Java; that is my only information on the subject. I do not know whether you have seen that.

1617. What is the date of it?—The date of the letter sent home is June 1892.

1618. Yes, but the date of the report?—The date of the report by Mr. Van den Berg; you have seen Mr. Van den Berg's report probably.

1619. Yes?—That is the only information I have, except a passage in Mr. Barbour's note, and it is rather curious as coming from Mr. Barbour. You will find it on page 147 of the final report of the Gold and Silver Commission. He says, "The feeling of de-"pression in trade has not been so great as in "countries using the gold standard. Netherlands "India, where the gold standard was adopted, has "assuredly not gained by the change, in comparison "with the other eastern countries which maintained "the silver standard." That is from Sir David Barbour, and I think it comes with great force; and it quite confirms what Mr. Van den Berg has said in the passage, which, apparently, I need not quote, because it is familiar to you.

1620. Supposing America to give up her purchases of silver, would you adhere to the view expressed as to the expediency of India taking any of the steps which have been suggested?—I have thought a great deal about the effect of that, and I do not think anyone can give an opinion much worth having about it. I think the tendency must be, of course, adverse to silver at first; but whether it would cause a permanent depression in the silver market is a question of extreme difficulty. I believe the action of America has done the silver market enormous mischief in this way, that their piling up such a quantity of silver in America has raised an impression that they might at any moment sell it, and try and get rid of it, and damage the silver market irretrievably. No doubt their purchases to a certain extent have helped the market. I have met two Americans who know thoroughly what they are talking about, and they say it is the last thing they would think about; that they would not sell an ounce of silver if they repealed the last Bill. But they would cease to buy silver and to burden themselves with an increase of the enormous circulation of silver certificates that they have now.

1621. They are purchasers now of a very considerable proportion of the world's production?—I am quite aware of it; but I do not think, if I am right as to the principles which I have mentioned with regard to the currency of India, that we ought to be too frightened by any fact like that. If we are on the right basis in adhering to the old silver currency in India, we ought not to be too much alarmed. I am sorry to say I am getting an old man, but I should not wonder if I lived to see the rehabilitation of silver, although that may be a very sanguine view; but the increases which are now beginning in the production of gold in Africa are very important, although the discoveries of silver are also very great. I am old enough to recollect when people were discussing what would happen to the sovereign when it was not worth more than half a sovereign, owing to the discoveries of gold. I have seen the thing now just the other way, and I shal live perhaps to see what I saw when I was a young man. I do not think that we should be too much frightened by what we suppose will happen if America does this or that.

1622. But a sudden large fall in the price of silver would create an immediate serious difficulty to the finances of India at present?—Yes, it would, no doubt; but it would not be right for us, I think, to change the currency of India, and perhaps do India enormous mischief, because of a temporary trouble to the finances of the Government. We have to consider the people of India, I think, much more than any question of this kind.

1623. But a financial difficulty which would necessitate additional taxation to a considerable amount would be a political danger, would it not, which must be weighed against the political dangers to which you have alluded?—The political danger, I think, of in any way injuring the currency of India and causing

alarm about it, would be far greater: but that is a question of extreme difficulty, no doubt. But I will tell you, I feel, having paid a good deal of attention to the Indian budgets when I was in the House of Commons, that a great many things might be done with regard to the Indian budget to reduce this difficulty, without going into this unknown land of changes of currency. Now, for instance, there are large sums spent every year on public works out of revenue in India, which no one would dream of so paying in this country; and one is told that there might be great economies with regard to some of the military expenses in India, which would be of great importance. I think those things should be dealt with, before you do such a thing as this, which is so apparently uncertain, and may be so dangerous to the people of India. You are aware, I have no doubt, that, in my view, as I have explained so fully before the Commission in 1887, the importance of these monetary questions as regards the prices of things is greatly exaggerated. I am one of those who do not believe that prices depend first and foremost on the quantity of money circulated, but I need not go into that again, I think. I fully explained that point when I was before the Commission.

1624. Yes. Supposing that the alternative plan were adopted of having a gold standard with a circulation of gold in the currency, would the observations you have already made apply to that, or with some modification?—I think the principle is exactly the same. Perhaps I might be allowed to mention one thing which I ought to have said before, as to what Mr. Ricardo suggested in 1816. He suggested having bank notes payable in gold, and guaranteed by the Government; and it has been suggested that a scheme should be adopted for getting rid of all the coins, and compelling people to take bank notes. Well, that I think is quite out of the question; for it seems to me that people are so accustomed to using coins in India that you could not possibly make that revolution by any means, even supposing you had the most ample guarantees that the paper would be met by the Government; but, when you come to the question of a gold circulation, you come at once to the question how much gold you want—what amount of gold would be required in order to keep this circulation going. Now we have sent to India in 30 years over 100,000,000*l.* of gold, which has, apparently, disappeared; very little of it ever comes back. The demands for gold in India might be very large, probably would be very large, and what I am very anxious to know is where the gold is to come from, suppose we have a gold circulation in India. At the present time we are told that the prices of everything in Europe have fallen, owing to the scarcity of gold. What would happen then, if that be so—which I certainly do not believe—but, on that supposition, what would happen, supposing we had to send 50,000,000*l.* or 60,000,000*l.* to start the gold circulation? Why, on that principle, we should have a perfect convulsion in this country and all over Europe. In fact, while I do not believe that prices have been reduced by a scarcity of gold, I am quite sure the prices would be most seriously reduced by a general panic and alarm, which would be caused by a rapid importation of gold into India from Europe for the purposes of currency. Only consider, for instance, suppose you took 20,000,000*l.* from England, why there would be simply nothing left in the Bank. The whole of the credit system of our country, which is so extremely delicate and based on too little money, would be convulsed and almost destroyed, and such a panic would arise as we have never had in the history of this country. I say that we are not in a position to deal with this gold question on any large scale, if it involves sending gold on that scale to India; and I cannot for the life of me see how, in a country like India, you could start a gold circulation, without a very large amount of gold being sent from Europe; so that I think this Committee, and any committee sitting in this city, is bound to consider not only the effect upon India, but the effect upon England, and I think any attempt to start a gold standard and to have a gold circulation would be disastrous in its influence on the money markets of Europe. That is a point, it seems to me, of the greatest importance, and which you cannot lose sight of in dealing with this question.

1625. That would depend upon the amount which was required?—Yes, exactly, but who is to say how much would be wanted? I should be very sorry to prophesy, but it seems to me that a very large amount would be required before you could have a stable circulation of gold in India.

1626. In Holland the amount of gold is not very large, is it?—I am not aware of the exact amount that they have there.

1627. There the circulation is chiefly the guilder, but it is based upon a gold standard?—But then you see, in India you have not got the credit system that they have even in Holland: you have not got the paper system that you have here. If you could hold a fraction of gold as we do in this country, and have an enormous amount of credit, bills, cheques, and all sorts of things, or even bank notes, the thing might be easily accomplished; but you cannot depend upon doing that in India, the note circulation of India being absurdly small for the amount of the population.

1628. The rupee circulation?—Yes, the rupee circulation. I think I am right in saying it is about 22,000,000 tens of rupees through the whole of your vast population.

1629. (*Sir Thomas Farrer.*) Is the Austrian demand causing any panic?—Not at all, because they are very careful not to press upon our money market. It has caused some demand, but there is no extraordinary demand, as you may know from the fact that the rate of the Bank of England for money is three per cent., which in the month of November is rather extraordinary.

1630. (*Chairman.*) Do you think that the gold might to some extent probably be provided by the gold coming out from hoards and being taken to the mint for coinage?—Some people say it would; some people say they would hoard all the more. I do not know what to think about that. I think, if you offer to coin gold in India without making it legal tender or trying to make a gold standard or a gold circulation, if you simply had a mint at Calcutta coining gold freely in sovereigns or half sovereigns, very likely large amounts would come to be coined; but I am not at all sure that they would not go back into the hoards as soon as they were coined. Mr. Daniell says that gold is a favourite mode of circulation in India, but there is not much evidence of it, as far as I have seen. That is, people like gold, but then they like it for the purpose of locking it up. It is evident that they have locked up an enormous sum in the last 50 years.

1631. Are you aware that anyone who wishes it now can obtain coinage of his gold in India?—But what is the coin that they coin there?

1632. Mohurs?—I was not speaking of mohurs. I was thinking of sovereigns and half sovereigns marked with the Queen's head.

1633. Is there any other point beyond these you have touched upon, Mr. Fowler, upon which you would wish to give us information?—I do not know that there is anything more that I need trouble you with. The main points I think I have explained. I must say that I think most strongly that any alteration such as is indicated might be very injurious to India, and I cannot see what good it could do to India. I think, as regards the question of the gold standard, you have to consider almost more what I believe would be the certain confusion it would give rise to in Europe.

1634. Have you considered at all the proposal to put an import duty upon silver, by way of raising additional revenue?—Well, I have seen it discussed, but I rather hesitate to do that as long as it is the

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currency of the country. It would be contrary to all old principles with regard to money. It seems to me that the function of Government is to fix upon a certain metal and coin it for everybody, and let it come and go just as it pleases without any interference whatever; and any of those attempts to galvanize the value as it were of any of the current money in the country appear to me to be mistaken. I do not know whether it is necessary to allude to the fact that some people have suggested that India might enter on a bi-metallic arrangement without England. I confess, of course, that I do not believe in that working well for India, because I do not believe in the bi-metallic system working well anywhere. I do not believe it is the right principle; but many people who take the same view that I do, with regard to the interference with the currency of India in the way that you have indicated to-day, have an opinion that India might be left free to make her own bargain with regard to that point. I think it is a matter that would require the gravest consideration before it was done, and I do not think anybody could possibly tell what the effect might be upon India of such an arrangement. Personally, as I have said, it is well known that I regard the bi-metallic system as entirely unsound in principle, and therefore not good for any country.

1635. (*Sir Thomas Farrer.*) You adhere most strongly, I think, to your old opinion that gold is the proper standard for this country?—Most distinctly.

1636. And you are entirely against any proposal for altering it?—Certainly.

1637. And you would say that, I suppose, with regard to other countries which have adopted the gold standard?—We have no authority with regard to them at all, of course.

1638. No, we have no authority; but I wanted just to get at your general view that a great many countries have, since 1872, adopted a gold standard?—Yes.

1639. Do you think it is for the benefit of the world that they should continue to have the gold standard which we have, or not?—Personally, you know, while I have a very strong feeling about the proceedings of our own country, I hesitate to give a very strong opinion about other countries. I do think some countries were hasty in adopting the gold standard, and need not have done it. I greatly doubt whether Germany did not make a mistake in 1871, and disturb very much the currencies of the world, by adopting the gold standard just in the way she did, but that is merely a question of opinion; it is done, and we cannot alter it.

1640. That being done, have you looked forward to what is likely to happen in the future; whether you look forward at all to the world adopting a gold standard at some time hereafter, or whether you think things will always continue, some countries with a gold and some with a silver standard?—I hope sincerely that we shall have both metals used.

1641. You do not ever look forward to one uniform standard for the world?—I do not think the world would gain anything by it. I mean to say in this way, that I think there are many countries for which silver is most stable; far more stable than gold.

1642. For the standard, or for the currency?—For the currency of the country.

1643. You think the standard and the currency necessarily go together?—Well, of course you might have a bank note currency; but then, in the case of India, it is a very serious consideration how you can arrange it, even if you wish to do it, because of the difficulty of carrying on that gold standard without a gold circulation, and you have got to deal with such a peculiar country, a country addicted to hoarding a vast mass of metal—the difficulty is very great indeed. You might have a gold standard, and these rupees might be regarded as so many inconvertible things; that is what some people have suggested.

1644. I only wanted to get at your view. I knew you were so very strong as regards the English standard, and wanted to know whether you contemplated the possibility of that standard ever becoming a universal one, or not?—I do not know at the present moment, I suppose there is hardly gold enough in the world to create a universal gold standard.

1645. Not if the gold is to be used for the currency; but, supposing it were possible to have a gold standard without a gold currency, would the quantity of the gold make a great difference?—No, it would not; in our country, for instance, we might, if we chose, have a gold standard and comparatively a small amount of gold. We do use a great quantity of gold, because we have such an aversion to small notes, but we might have a very large amount of currency with a comparatively small amount of gold.

1646. And you are in favour, I think, or you used to be, in favour of small notes?—I do not see why we should not have them, if they are so good in Scotland and Ireland. That is all I have said. I do not see, on principle, why we should not have them as long as they are well secured by an abundant gold reserve.

1647. (*Chairman.*) If you regard your standard, whatever it is, as chiefly a measure of the relative value of commodities rather than as the actual medium of exchange, would there not be an advantage in having the same standard in all countries, that is to say, the same measure to which you refer your relative values?—I should think there would, if it could be arranged; I should see no objection certainly to everybody having the same standard, but you have got so much to do before you can have it. For instance, you could not do it with the present supply of gold, without making bank notes circulate, in countries like India, to an enormous extent. It would not be possible. And then you cannot do it by a stroke of the pen; it is a long business. But, if you come to the abstract question whether it would not be good for the world to have the same standard of value, I should say it would; but, in the present imperfect condition of things, I think that we must expect, and, I should think, wish, that silver should be used as well as gold. If silver, for instance, were demonetised over the whole world, there must be involved an enormous loss to someone.

1648. (*Sir Thomas Farrer.*) Are we quite clear what is meant by that word "demonetised"?—Well, I mean, ceasing to be legal tender in the currency of great countries.

1649. The currency is different; the Chairman has put a distinction between the currency and the standard?—What we are talking of to-day is India, and practically it is the currency as well as the standard.

1650. (*Chairman.*) Your view is that, except in a highly organised condition of credit, it is impracticable to have the standard of a different metal from the currency?—That is my view.

1651. (*Sir Reginald Welby.*) You have said, I think, that the first step you would take, if the finances of India became disordered, would be economy; but put that aside for the moment. If that were impossible, do I gather that you would prefer having recourse to increased taxation, rather than stopping the free coinage of silver; that it would be the less evil of the two?—It is an uncommonly difficult thing for a person who has not lived in India for 20 years, who has only been a visitor, to give an opinion upon that question; but I should say, speaking offhand, from what study I have given to the question of taxation in India, though I am quite alive to the difficulties—the great difficulties,—I think it would be a far more serious political difficulty to do anything which would injure the currency of India, than to impose fresh taxes; but I believe that you might do a great deal without imposing fresh taxes, by those economies of the resources of India to which I have alluded.

1652. There has been a question which the Chairman has alluded to, of an import duty on silver, and

putting a higher mintage upon silver at the mint?—Yes.

1653. Might I ask you, would you think those less objectionable methods of meeting the evil, than stopping the free coinage of silver, or having recourse to general taxation?—If you put it in that way, which is the least evil, I should say it was a less evil to put on a heavy seignorage or an import duty, than to stop the free coinage—a less evil, but I am not in favour of it on principle.

1654. I put it advisedly as the less evil of the two?—Yes.

1655. (*Mr. Courtney.*) You seem to think that a good deal of the expenditure of India on public works is wrongly charged to revenue?—Yes.

1656. Do you suggest that the Indian Government should run into debt every year?—Not more than other people do.

1657. Well, but, in respect of these public works, it should incur debt?—I think that the amount spent out of revenue for public works is far greater than it would be in this country on similar works, and I do not see why it should be so. I put it before the Under Secretary of State when I was in the House, I think in the year 1872, and his only answer was "Oh! it is quite true, but we cannot trust our officials." Well, I do not think that is a good reply. I think some one ought to be obtained who can be trusted, rather than that the money should be taken out of revenue, which ought not to be taken out of revenue.

1658. That was his excuse for not charging to capital?—What he admitted would be charged to capital in Europe.

1659. That was made 20 years ago?—Yes; and the amount spent since that time out of revenue must have been enormous.

1660. If your plan were adopted, would it not be necessary to provide a sinking fund in respect of the capital so raised?—Yes, it would, no doubt.

1661. And would there be much difference at the present day, between the charge for sinking fund in payment of past capital expended, and the charge for new works?—I think it would be a very great difference; at any rate, for a certain number of years. Speaking now, at this particular moment, for instance, supposing the Indian Government were in any difficulty about the question we are discussing, and they were to spend several million rupees less out of revenue, it would, at any rate, enable them to tide over a difficulty, and see how things were going later.

1662. Of course it would very much relieve the Government, if they did not pay their way and went into debt. If they went on what you hold—I am not disputing it—to be the right principle, would not their financial position now be very much the same; instead of spending three millions this year out of revenue upon new works, they might borrow the three millions in respect to the new works, but they would have to spend much the same sum on the other hand in payment of the sinking fund in respect of past works?—If you spread it over 50 years, and repay 50 millions in respect of the 50 years, it would be the same thing, but in one year it would be very much less.

1663. Surely you are acquainted with the case of municipalities in England; where there is an amount borrowed in the year, and an amount paid in the year, and the two nearly balance one another. An amount borrowed in respect of new works; an amount paid to the sinking fund in respect of old works. In respect of the exactness of the amount the two things are nearly the same. The amount borrowed and the amount paid to the sinking fund often nearly equalise?—It might be so in certain cases; but I think that, for some considerable period after you began a new system, you would have a great saving out of revenue for the time; then in the end over a long series of years it would come very much to the same thing, no doubt.

1664. Would it be justifiable to begin a new system, without taking into account what had been done in the past?—Well, my view is that the thing has not been correct all through; I think it has been too great a burden on the existing taxpayer.

1665. But that has been in the past; the question is whether the present taxpayer, having escaped the burden which he ought to have borne in respect of past expenditure, should be let off present expenditure?—I only put it as a way of meeting a very great difficulty at the present moment, supposing that difficulty to arise. Of course, up to the present time, I think I am right in saying that on the average there has been a surplus every year for the last 10 years, on the average of years; but then Lord Herschell put the question to me of there being a further fall and a very serious deficiency. I should not advocate that system if I could help it, the plan of the Indian Government being financially a very strong and commendable one; but I think it is a little severe upon the men of the present moment, and certainly this might be used as a means of tiding over what might be only a temporary difficulty.

1666. You referred to Mr. Van den Berg's observations?—Yes.

1667. Do you remember the date of those?—I have only seen them in the newspaper and a paper sent to me by a Mr. Simpson in Calcutta. His letter is dated 20th June 1892.

1668. He does not give the date?—He does not give the date; I think it was in 1886, six years ago. I have thought much more of what Sir David Barbour has said.

1669. Are you aware of the amount of gold that is in Java just now?—No, I am not.

1670. You spoke of the amount of gold that would be required if a gold standard were established in India, at the same time maintaining the rupee as actual currency?—Yes.

1671. As far as I understand it, the proposal of the Currency Association is to suspend the coinage of rupees; to establish a free coinage of gold?—Yes.

1672. And then, if necessary, to contract the circulation of rupees by withdrawing the coin, until they bring the value of the rupee into a certain ratio with value of gold?—Yes.

1673. That is what has been done in Netherlands India?—Yes.

1674. They do not now freely coin gold there, but they do in Holland for the use of Java; it comes to the same thing?—Yes.

1675. You do not know how much gold it has been found necessary to have in Java?—No, I do not know; but I think, in order to form an opinion, and to apply that opinion to India, you would have to know a great deal about the condition of Java, the amount of the circulation that there is of silver, and the character of the people; whether they are organised as the Indian people are as regards information, and so on. I should have thought that they were a very abject and, I was going to say, excessively governed people, with little power of initiative, not at all like the Indian natives.

1676. Do you not think that the mass of the Indian people are governed too?—Yes; but I think they are extremely shrewd and clever about money matters, and they are excitable upon them.

1677. However, these are the figures which we have before us, which I give you. "On the 31st "March last, Bank of Java, including head office "at Batavia, branches in five principal towns in Java, "and so on, notes 3,600,000*l.*; silver, 2,973,000*l.*; "gold, 372,000*l.*" ?—Yes.

1678. A very small proportion?—A very small proportion; much too small, I should suppose.

1679. But there is no practical difference in the value between gold and silver?—No, that may be; but I do not think we would at all argue from that as to what would happen in India.

1680. You cannot conclude absolutely, but it suggests the possibility of getting on in India without

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any difficulty with a comparatively small stock of gold there?—No, if Mr. Daniell is right that they are so very fond of gold, if they get a chance of turning their silver into gold they might do it, and they could do it if they chose, if it suited them on a very great scale, and that might lead to very large export from Europe.

1681. We have evidence that the people of Java are more or less governed and quite unconscious of any change. They do not like the gold; though it is the standard, it is not in circulation. They look upon pieces of gold with surprise. Do you think that the people of India might be unaware in the same way of the change?—I think they would be very much aware; they imported from the whole world last year 6,500,000*l.* according to the statistical abstract.

1682. But the millions of India do not see any gold?—No, of course, they do not.

1683. The rupee would be in circulation very much the same as before?—It might be; I do not know.

1684. Would their daily life be affected by any sense even that the value of the rupee had been changed?—It would be if they had to give more money for their food.

1685. That often happens, and they do not know the cause of it; we have to give less money for things here; some people say it is because gold is scarcer, others because things are more easily produced?—Yes.

1686. The mass of the people are not affected by the sense of their loss?—They are affected favourably.

1687. Are they affected by the sense of cause of the relative cheapness of things; out of the 30,000,000 in England, can 20,000 people say, with any real authority, why they are buying things cheaper now than they were 20 years ago?—I daresay not; they are only very pleased that they do.

1688. If you put on a new tax in India, that would be appreciated everywhere?—They would very much object to anything which led to a rise of prices.

1689. I put it now in the roughest way; would it not be possible to dodge the currency without their knowing it; and would it be possible to put on a new tax without their knowing it?—Well, I cannot, of course, offhand say, but, I think, having regard to the character of the people of India and to the great circulation of their newspapers, and so on, that it would be very dangerous, politically, to interfere with the currency. That is my impression.

1690. (*Chairman.*) Do you know whether there is any educated class amongst the natives of Java corresponding to the educated class amongst the natives of India?—That is just what I wanted to know, because I think you cannot judge without knowing that, in making the comparison of the two cases.

The witness withdrew.

Mr. H. Schmidt.

Mr. HERMANN SCHMIDT called in and examined.

1691. (*Chairman.*) Have you given attention to the currency question, especially in its relation to India?—I have, my Lord.

1692. You are aware of the difficulty which the finances of India have experienced owing to the fall in the gold price of silver?—Yes, my Lord.

1693. And are you acquainted with the proposals which have been made by the Indian Currency Association with the view of remedying the evils under which they are suffering?—Yes, my Lord, I am.

1694. What have you to say with regard to the proposal that gold should be made the standard in India, instead of silver?—I never heard it proposed that a gold standard in the strict economic sense of the word should be introduced into India. The proposals which have come before me, which are also those of the Indian Currency Association, amount to the introduction of a kind of limping standard, such as exists at present in France, in Holland, and to a certain extent in Germany; that is to say, to open the mints to the free coinage of gold, at the same time allowing the present existing rupees to continue as legal tender. You do not demonetise these rupees, nor melt them and sell them as bar silver, in order to introduce a standard like the English gold standard; but you introduce a kind of limping standard, and keep those rupees in circulation.

1695. (*Mr. Courtney.*) Stopping however the free coinage of silver?—Stopping the free coinage of silver, yes, sir; stopping the further production of rupees.

1696. (*Chairman.*) Well, not stopping it absolutely the proposal would allow of the Government coining?—Well, I have very strong opinions that, even if allowed, that would never come into operation, because your difficulty would be the great number of rupees. If you introduce gold, your difficulty would be that already too many rupees are existing.

1697. Why?—Because you could not keep the old rupees at par with gold.

1698. (*Mr. Courtney.*) Would not that depend upon what par you endeavoured to set up?—No, sir; that would depend upon the relative amount of the gold in circulation to the silver in circulation. If to-day you took the existing price, say of 1*s.* 3*d.*, and closed the mints to the free coinage in India, the fall in the value of bar silver would be so tremendous that, whatever rate you fixed, the next day it would be quite out of proportion to the actual value of silver in London, and you would probably never again see any rates approaching the old rates, provided circumstances continue as at present in the silver market.

1699. (*Chairman.*) But do they not continue to coin guilders in Holland?—No, my Lord.

1700. Are there no guilders coined there?—No, my Lord.

1701. Since when?—Since 1873. I have brought the law about that with me. In fact, the law as proposed in Holland originally was to sell the existing florins. That law was rejected by the Second Chamber as premature; and then a law was passed introducing gold, while keeping the existing silver in circulation; but a law has been passed in 1884, authorising the Government to melt some existing florins and sell them as bar silver in the open market (25 million florins). That law, however, has never been put into execution.

1702. (*Mr. Courtney.*) Is there not a possibility of the Government of Holland still coining if they so wish, not freely?—As far as I know, it could no more coin silver for legal tender than the English Government could; in any case, it has never thought of coining since 1873.*

1703. That is not the point, the English Government does coin silver. Does not the Government of Holland still possess a power to coin silver, if they see fit?—No, not legal tender—token money. The English Government cannot coin legal tender silver.

1704. (*Chairman.*) They could coin any amount of silver they liked; they could coin to any extent legal tender silver in England; it is only that not more than a certain amount of silver is legal tender in payment of one's debts, but the Government can coin as much of it as they please?—By legal tender I meant unlimited legal tender, my Lord.

1705. (*Sir Reginald Welby.*) At page 173, it says no one may, the State may coin alone?—That has been altered since, that is not correct, sir.

* Note by Mr. Schmidt. Since giving this answer I have referred to the English Mint Report of 1884, in which it is stated (page 32), that the silver required for the coinage of token money in Holland is obtained, not by purchasing ingots in the market, but by melting 2½ florin pieces, because the purchase of bar silver might lead to the exportation of gold.

1706. (*Chairman.*) When has it been altered?—A Bill was introduced by which authority was given—this is by Mr. Van den Berg in 1879—to the Executive, not only to coin gold, but also to withdraw silver from circulation and to sell it in such a manner and to such an extent as might be deemed necessary. "After a "prolonged debate the new Bill was carried through "the Lower House by a vote of 37 to 35; but, when "it came on for discussion in the First Chamber, it "was rejected, the Upper House strongly objecting "to an eventual demonetisation and sale of silver, and "deeming it the proper course not to enter into any "fresh legislation on the subject, but simply to pro-"long the provisional monetary law passed in June "1875, which, if not renewed, was to expire at the "end of 1876.

"Under these circumstances, no other alternative "was left to Government but to follow the advice of "the First Chamber; and a short Bill to that effect "was accordingly brought before the Legislature, "proposing the renewal for a further 12 months of "the law of June 1875. The Bill was at once agreed "to by both Chambers, the Government giving them "to understand that in the course of that further "12 months a fresh attempt would be made to bring "in a Bill with a view to the final settlement of the "question.

"But, no striking events occurring in the money "market, Government gradually changed its policy. "Throughout the whole of 1877 rates of exchange "fluctuated but little; and, a final arrangement of the "money system therefore not being considered urgent, "it was thought sufficient for the moment to prolong "the *suspension of the coinage of silver*, not for "another year however, but until otherwise deter-"mined upon by law. A Bill to that effect was "adopted without any opposition by both Chambers "(Law of December 9th, 1877), and since then the "matter remained in the same position in which it "had been brought by the measure of 1875; the "introduction of gold as standard coin of the realm, "concurrently with the silver coins issued before the "law of June 1875 had been passed.

"Thus the system of the *étalon boiteux* has been "working in Holland for these four years, and it "cannot be denied that as a rule it has been doing "wonderfully well, in the same manner as in France."

1707. But that does not say that the Government does not coin silver?—It does not coin, and, I believe, it cannot.

1708. That does not say that it cannot; whether it does or does not may be a different question?—"To prolong the suspension of the coinage of silver," it says distinctly here.

1709. (*Mr. Courtney.*) Of the free coinage of silver, he means?—"The coinage of silver."

1710. It means the free coinage of silver. That was what was done in 1873; they stopped the free coinage of silver.

1711. (*Sir Thomas Farrer.*) That was the coinage for anybody who brought silver?—They cannot coin silver.

1712. (*Chairman.*) In France they coin silver still?—In France they are absolutely forbidden to coin silver by a Convention amongst the Latin Union.

1713. Do you mean that France has coined no silver since 1874?—That France has coined no silver since 1878, I think, but I can give you the exact date if you like—no full legal tender silver. The coinage of silver was subject to a monetary Convention of the States of the Latin Union. At first they were allowed to coin every year so much, and afterwards they were prevented; they cannot coin a single five-franc piece. The coinage of silver began to be limited in France in 1874.

1714. That is the free coinage of silver?—In 1874 the Latin Union introduced the system of coining so much a year.

1715. Do you mean to say that there have been no new francs since 1874?—No, sir, 1878.

1716. (*Sir Thomas Farrer.*) Do they not coin silver in France for gold?—No, sir, they are absolutely prohibited in every state of the Latin Union to coin a single full legal tender silver piece.

1717. (*Chairman.*) How is that brought about?—By a convention of the Latin Union in 1878, my Lord, which in France was ratified by a law passed by the Government.

1718. Where did you find that?—If you will allow me, I read to you what M. Ottomar Haupt says: "En "1878, la Conférence monétaire se réunit de nouveau "et on propage la Convention, purement et simple-"ment, jusqu'au 1er janvier 1886, sans y apporter "aucune modification, excepté que la suspension "complète de la frappe des pièces de 5 francs devient "un fait accompli." (Histoire Monétaire de notre Temps, pp 398–399.) I think there is not the least doubt about that. In France it is absolutely forbidden by law to coin legal tender silver. The law of 1st August of 1879, sec. 9, says: "Le monnayage "des pièces de 5 frans d'argent est provisoirement "suspendu." This was confirmed by the Convention of 6th November 1885 (see English Mint Report, 1885, page 80.)

1719. (*Mr. Courtney.*) France may coin five-franc pieces. You will need to look at that more carefully?—No, she cannot. That is the only full legal tender silver money that exists in France.

1720. She may coin franc pieces?—Every Government has a right to coin as much subsidiary coin as they like. When I speak of legal tender, I always mean unlimited legal tender. But, coming to your question, my Lord, I have to say that the introduction of that system of the "limping standard" would, in my opinion, require a great amount of gold for India at the present moment. I do not see how India is in a position to command that gold. If you do not have sufficient gold, the result would be that you would introduce the monetary system of France, but have the monetary situation of Spain, where the legal position is nearly the same as in France, but where practically silver is the currency and gold at a premium. You have here the two cases before you. Which of the two will happen in India? I think they may be considered *à posteriori* facts which will help you to solve this question. In France you have the existence of the legal tender five-franc pieces and the existence of a large amount of gold sufficient to guarantee the exchange of this silver against gold. In Spain you have a similar legal position, but you do not have sufficient gold, and therefore the legal arrangements fall to the ground, and gold is at a premium.

1721. (*Chairman*). Do you know what the conditions of trade are as regards the exports and imports in Spain?— No, I have not brought those figures with me.

1722. What I mean is, does not the fact that you have the condition of things that you have described in Spain have something to do with the conditions of trade and its credit?—The exports and imports, as far as the balance of mercantile trade goes, are in favour of Spain, but so they must be in favour of every country that has a foreign debt. Merchandise would not give you an exact picture of the condition of the total indebtedness. But the premium of gold is simply owing to the fact that they have introduced too large an amount of five-peseta pieces. If you go to Spain, you get paid in silver pesetas.

1723. Do you think it has something to do with the condition of their credit?—No, it is the condition of the currency. They have too much silver in proportion to gold, and there is a doubt in the minds of the people whether the Bank of Spain will always be able to pay in gold.

1724. In France they cannot always get gold?—No, but there is no doubt in the minds of the people about the ability.

1725. Do you think that it would be possible to have a gold standard in India, by stopping the free coinage of silver, without any considerable stock of gold in India?—No, my Lord.

1726. What do you think would be the effect on the trade of India, of stopping the free coinage of

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silver?—I have not the least doubt that such a measure would be followed immediately by a very large fall in the price of silver in London. Silver would go down almost beyond expectation, perhaps to less than two-thirds of its present price; and therefore India would be in this position, that Japan, China, and the other countries which have the silver standard, would compete with India on exceedingly favourable terms. Her trade to those countries would at first be cut off almost entirely, and a great deal of the exports of India would be competed with in gold countries on very profitable terms by those silver countries. Later on, no doubt, a fall in the general prices in India will take place, and then the matter may be remedied, but at first the imports and exports will be greatly affected.

1727. Do you think it would be a workable scheme?—If you have sufficient gold, and are willing to pay the cost, certainly.

1728. Have you formed any idea of the amount of gold that would be necessary?—I have been thinking of that. But I regret I cannot give a definite opinion, not knowing India. I have never been in India. It depends a great deal upon the ideas and habits of the people there. But, if European countries are any guide, I can give you a few figures. In France the gold in the country is estimated at 160,000,000*l.* sterling, the silver at 130,000,000*l.* sterling, so, having more gold than silver, they can maintain the parity. In Spain they have 8,000,000*l.* sterling gold—the best estimates—and they have 25,000,000*l.* silver in the country, so one-third gold is not sufficient there to keep the gold at par.

1729. (*Mr. Courtney.*) What is the prevailing agio?—At present it is about 14 per cent. Italy is more remarkable still. They have 23,000,000*l.* of gold in the country, and perhaps only 6,000,000*l.* of silver, and still there is a premium on gold.

1730. (*Chairman.*) Well, that would rather go against your view that it is determined by the ratio of silver to gold?—In Italy I admit it is not a question of gold and silver entirely, the issue of bank notes also enters into it, because of course they have to be kept at par, the same as silver, and in Italy many banks issue bank notes—not one bank, as in France, and they refuse to give gold for notes.

1731. How is that in Spain?—In Spain there is only one bank.

1732. Is that the Government bank?—The Government bank.

1733. And do they limit their issue?—They hold a certain proportion of bullion.

1734. Have they not varied that proportion; have they not issued more notes in proportion to their bullion?—I believe last summer there was an over-issue, but it was not much, and it was not admitted by the authorities. I am not quite acquainted with the details, but I believe the difference was that the Bank of Spain held bills on England and France, which they counted as gold. If you counted them, they were within their limits; but, if you counted the actual bullion in the vaults, then they had overdrawn. But they argued that they had legal authority for counting gold bills as gold.

1735. What is the proportion of gold and silver in Holland?—They have 90,000,000 florins in gold, and 130,000,000 florins of silver; these figures are according to the best estimates. In the bank they have to-day 40,000,000 florins gold, and 22,000,000 florins gold bills, which they have the right to count as gold, which makes 62,000,000 florins, against 84,000,000 florins of silver. So, if I cannot answer your question about India direct, because it depends on other circumstances besides the proportion of gold and silver,—on the habits of the people, and the condition of the country, and the issue of paper,—yet I think that, taking a reasonable view, one-third is the very least you must have in gold if you want to keep your silver circulation at par. Now, what is the circulation of India? 125,000,000*l.*?

1736. (*Mr. Courtney.*) Before you go to that, how about Dutch India?—Dutch India; if you will allow me, I should like to reply to that question a little later. In India the circulation is, I think, about 120,000,000*l.* to 130,000,000*l.*, perhaps 150,000,000*l.* Do these figures agree with yours? I should like to take your figures.

1737. (*Lieut.-General Strachey.*) It has been estimated about that?—In the *Economic Journal* they made a careful estimate, and brought it out at 120,000,000*l.* I think it is rather more; I think 150,000,000*l.* sterling is nearer the truth.

1738. (*Sir Reginald Welby.*) In rupees?—In rupees, yes.

1739. You are not including notes?—No.

1740. You know Mr. Harrison's estimate for India?—That was the estimate in the journal of the Economic Association.

1741. I think I read it in the *Calcutta Review*?—Yes, that is the estimate I saw. I must say this, that Mr. A. de Foville has estimated the circulation of France on the same principle as applied by Mr. Harrison, and upon that principle has come to a figure which is undoubtedly below the amount of silver in that country. I would not go so far as Mr. Ottomar Haupt. He says it is wrong by 1,000 million francs. But, whether that is so or not, Mr. de Foville is undoubtedly too low in his estimate. The same system has brought India's circulation out at 120,000,000*l.*, and I am perfectly convinced, myself, that it is too little. But, even at 120,000,000*l.*, you would require at least 40,000,000*l.* of gold; in my opinion you must have more.

1742. (*Mr. Courtney.*) I asked you to come to the question of Dutch India?—I come to that now; I only desired to finish my answer to Lord Herschell's question first.

1743. (*Chairman.*) The figures we have as regards Holland differ from yours. You give the amount of silver as less than one half the gold?—No. 130,000,000 florins as against 90,000,000 florins gold.

1744. I mean the amount of gold is more than one half the silver?—Yes.

1745. Well, what we have had given us is this, that the gold in Holland alone is put at 5,000,000*l.* sterling?—That is quite right, that agrees with my estimate, my Lord.

1746. But then the silver is put at 11,000,000*l.*?—It is perfectly right, my figures are really the same; but I did mention to you that there are 22,000,000 florins gold bills in Holland, which are counted as gold, and you have not included those. That is according to this week's return of the Netherlands Bank. If you take the Bank reserve at 62,000,000 florins, you would come to exactly my figures, and they are empowered to count gold bills as gold. With regard to Dutch India—to Java—the whole circulation of Holland is virtually at the back to guarantee the convertibility of the money there. But there is one further remark I beg to make, that Java is hardly large enough to be a real guide to India. The whole circulation of Java has been estimated at 4,000,000*l.* sterling, with perhaps 500,000*l.* sterling in gold. I know Mr. Ottomar Haupt's estimates are higher, but Mr. Van den Berg, the former President of the Java Bank, says it is 50,000,000 florins. You might be able to keep at par 4,000,000*l.* sterling silver by guaranteeing its convertibility through the mother country; but it would be quite a different matter with 150,000,000*l.* silver.

1747. What would be the effect, in your view, upon the trade of India, of fixing a ratio between the rupee and gold, which might be higher than the market price of silver?—That, of course, depends upon how much higher. It depends on the divergence. The greater the divergence, the greater the effect on the trade of India. I will not say that 10 per cent. would make a great difference; but 10 per cent. might bring about a fall of prices in India of 10 per cent. The Government income would fall off, the income from railways and canals, and all those items which have risen almost *pari passu* with the fall in the exchange.

1748. Do you think that it would be possible that the divergence might become so great that the trade would be affected to the extent of altering the balance?—I am sure of it; I am sure the balance will be affected, whatever ratio you fix; even if you fix the ratio of the day it will be affected, because the balance will depend upon the ratio of to-morrow; it will be the ratio of to-morrow that will affect trade; it is not the ratio of to-day that will affect it. If you take the actual rate, 1*s.* $2\frac{13}{16}$*d.*, or 1*s.* $2\frac{7}{8}$*d.*, and close the mints to-night, you may be wrong by, perhaps, 4*d.* per oz. standard to-morrow.

1749. Do you think that the trade of India would have been much less than it is, if the rupee had remained at 2*s.* and silver had not fallen at all?—Oh, no; I do not think so, because what will affect trade is the competition of the silver countries after you close the Indian mints. If silver had never fallen, the whole range of prices would, in my opinion, have remained higher in England, and the question of the competition of the countries further East would not come in. I am quite of Mr. O'Conor's opinion, if you were to raise by any means the value of silver all over the East, the result would not be felt to any very great extent in India; but it would be felt in England by a rise in prices.

1750. Then your view is not so much that the fall in silver has stimulated the trade in the past, as that, if you were to prevent the fall in India whilst it continued in other silver-using countries, the effect of it would be serious in the future?—It will be exactly what happened in Java, where for 10 years the trade has been upset.

1751. But are you aware that that is attributed largely to other causes than the change of standard?—I am aware of that, and admit it is very difficult to make the exact comparison, my Lord; because, unfortunately, just in that very year when they altered the monetary system in Java, circumstances arose connected with the plantations, which, though merely coincident, make the comparison difficult. But I daresay you are aware of those very able letters which were written in 1886 by the then President of the Java Bank to the Viceroy; and he, after going into every item, had at last to admit—and he is an unwilling witness, because he was one of those who proposed the change in the currency, and whose authority contributed to bring about that change,—he has had to admit that undoubtedly, to a very great extent, the unsatisfactory condition of Java was attributable to the currency.

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1752. But do you know whether he has since seen reason to change that opinion?—I received a letter from him this week on the subject, but he mentions no change of opinion. He thinks the best solution for India would be to alter our Bank Act in this way, that rupees would be made legal reserve. He is in favour of a gold standard for India, I believe; but he virtually admits that it cannot be done, unless you alter the English Bank Act, and take the rupee here as legal tender.

1753. (*Mr. Courtney.*) Legal tender at home, here, you mean?—Yes; in any case, legal reserve as cover for bank notes.

1754. (*Sir Thomas Farrer.*) Does his letter to you make you think that he still believes the alteration did great harm to Java?—I can only answer that by saying that he does not say anything in his letter that his views on that subject have altered.

1755. I only wanted that question answered, whether you know that he has changed his opinion again, or not?—As far as I know, sir, he still adheres to the view that, on the whole, it was a necessary step for Java to take, because the Java currency should be the same as the currency of the mother country.

1756. Yes, but did he think that it had done harm to the trade of Java, and does he still think so?—He did think so; and, as far as I know, he thinks so still. But he thinks that, in India as in Java, in a few years things would right themselves.

1757. (*Mr. Courtney.*) You have his exact words there?—Yes, I have got the letter, "But, supposing "this to become the case, it may be taken for certain "that within a short space of time all the rupees that "left India would be required back again, just as "was the case with the silver shipped from Java "to Holland."

1758. (*Sir Thomas Farrer.*) Yes, but that does not answer my question; I want to know whether in that letter to you he intimates that he still abides by his opinion of 1886?—He does not give a distinct opinion in the letter; he suggests that our Bank Act should be altered, so as to allow rupees to be legal reserve here. From the letter, I conclude he thinks that in any other way it cannot be done.

The witness withdrew.

Mr. Archibald MacColl called in and examined.

Mr. A. MacColl.

1759. (*Chairman.*) Mr. MacColl, you are a member of the firm of Corrie, Moon, and Co., London?—Yes, my Lord.

1760. You were formerly a member of the Batavia Chamber of Commerce?—Yes; and I understand that it is in that capacity, and that of a former merchant and banker in Java, that I have been asked to come before your Committee.

1761. You are acquainted with the system of currency which exists in Netherlands India?—Yes, my Lord.

1762. A gold standard with the fixed ratio as to guilders; and that standard was adopted some 17 years ago?—Yes, my Lord, about 1873.

1763. How has it worked in Netherlands India, in Java?—Well, in Netherlands India, according to the ideas of the people there, it certainly has worked remarkably well.

1764. (*Mr. Courtney.*) From the beginning?—From the beginning, yes, sir.

1765. (*Chairman.*) Do you agree with that view?—Well, it is a very difficult question. I think, on the whole, that I do agree with it.

1766. But it does not appear to you so clear altogether?—Not quite.

1767. What is the doubt that you entertain?—There is a doubt still among some of the Java planters Though the Dutch themselves are quite satisfied with it, still several of the Java Chambers of Commerce not long since have again expressed considerable doubt. The Chamber of Commerce at Sourabaya, for instance, petitioned the States General, or the Minister of Colonies, to have an inquiry into the working of the present Currency Legislative Acts. They were dissatisfied, according to their view of the way in which they were working.

1768. Can you tell us on what grounds they questioned its advantage?—As compared with British India; in fact, desiring to have the same as British India.

1769. What interests would be mainly represented in the Sourabaya Chamber of Commerce?—The Sourabaya Chamber of Commerce would consist of merchants and planters; that is to say, the principal merchants there, without mentioning any names, are all more or less interested in agricultural undertakings. Some are import merchants purely, and some importers and exporters. They have large consignments of produce. That is to say, they and the agricultural banks advance, and of course are on the Chamber of Commerce. As a rule, although the appointments are made by the Governors-General, all classes are fairly represented.

1770. The view entertained by the Chamber of Commerce of Sourabaya would be, that the prosperity of Java in its trade and agriculture has not been as

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great as it would have been had the standard not been fixed?—Yes; they do not express themselves quite so strongly. What they desired really was more information and light on the currency subject, and their request was to have an inquiry into the state of affairs in Java.

1771. It amounted then perhaps to nothing more than this, that doubts had arisen in their minds whether it was satisfactory or not?—Yes, quite so. Upon that, the Minister did order the Governor-General to hold an inquiry; but I rather think that this procedure of his caused such alarm in Holland that it was, indirectly at least, the cause of his being compelled to resign.

1771*a*. Who?—The late Minister, Mr. Keuchenius. He was interpellated in the First Chamber of the States General, (the official report of which I have here, 31st January 1890, page 325); and he expressed himself very doubtful as to the soundness of the present general currency system in Netherlands India; in fact, it seemed to him even "fictitious,"—at least, he considered that, under the circumstances, the inquiry ought to be granted.

1772. Who is Mr. Keuchenius?—He is the late Minister for the Colonies.

1773. In Holland?—In Holland, under the late Ministry, presided over by Baron MacKay.

1774. (*Mr. Courtney.*) And he has retired, has he? The Minister did not retire exactly; his Budget was thrown out by a very small majority of the First Chamber, after having by a large majority passed the Lower Chamber. This speech, I believe, caused so much alarm that it was principally on proposing to open up another inquiry, that the First Chamber threw his Budget out, upon which the Ministry did not resign, but he himself retired.

1775. (*Sir Reginald Welby.*) He is the Minister of Finance?—No, sir; he is the late Minister of Colonies—the Colonial Minister, and a distinguished Dutch statesman, and formerly a member of the Council of Netherlands India, at Batavia.

1776. (*Chairman.*) Is that the present Government?—No, the late Government under Baron MacKay, the previous Prime Minister. Mr. Keuchenius was Minister for the Colonies.

1777. (*Mr. Courtney.*) What happened in Batavia? As I understand, the situation is this; the Chamber of Commerce at Sourabaya asked for an inquiry?—Yes, sir.

1778. The Minister of the Colonies directed an inquiry?—Yes, sir.

1779. And threw some doubts on the wisdom of the previous legislation?—Precisely.

1780. And thereupon there was such a feeling in Holland that he had to resign?—Yes. I mean that there was a fear and doubt as to what the inquiry might lead to; and this, I am informed and I believe, was the main reason of his Budget being rejected, and his consequent resignation. I specially mention these points as a sufficient indication of the prevailing opinion in Holland.

1781. What happened in Batavia?—Nothing at all, that I am aware of.

1782. Is the inquiry going on?—In the mean time the Minister fell, and the inquiry was stopped by telegram, I understand.

1783. (*Chairman.*) I suppose there are some in Holland who share the doubts of Mr. Keuchenius?—There are some; not many.

1784. But the prevailing opinion is against any change in their Indian currency system?—Very much so.

1785. (*Mr. Godley.*) And in Java, I think you said, at the beginning?—Oh, undoubtedly; when I was over in Holland the other day, I saw the representatives of many important planting industries. They all have the idea, "If we changed, we would "have other troubles which would give us more "concern than this." Then most of the agricultural and planting finance of the Netherlands India is from Amsterdam and Rotterdam. The people there would not put their money into estates and land enterprises generally, if there was the same uncertainty of exchange as we have in British India. The universal feeling in Holland, which is a country with which I am well acquainted, is in favour of "safety."

1786. (*Chairman.*) How is the finance managed?—As a whole, including Government bills, the bulk is done by bills of exchange Batavia on Holland; but, purely commercially, I should say the bulk is sterling bills Batavia on London.

1787. (*Mr. Courtney.*) Bills are drawn on London; but the real capital is Dutch?—The real capital is Dutch capital, although it is quite free for foreigners to settle there and take up lands.

1788. (*Sir Thomas Farrer.*) But the commercial transactions are with England?—The bulk of the mercantile finance bills, yes, I should say so. I have not the figures before me, but they are certainly in sterling for the greater part.

1789. (*Chairman.*) Do you refer to the mere financing of the transactions, or to the commercial transactions, the goods themselves?—There are large quantities of drills and white goods from the cotton factories of Northern Holland; but the great bulk of the piecegoods, and particularly prints imported, are Manchester and Glasgow goods; and, consequently, large remittances are made by sterling bills on London.

1789*a*. Then what about the exports from Java?—Well, the bulk of their tea comes to London; but nearly all their coffee, cinchona, and spices, and also tin, goes to Holland. But, as regards sugar, I may pretty accurately say that the entire finance of the sugar export trade to every part of the world is by sterling bills on London. This, in ordinary times, and even with present low prices, will be fully six millions sterling, during the shipping season of about six months, from July to January.

1789*b*. Then is no sugar sent to Holland?—Very little. The total exports of the last crop are as follows:—To Holland, 7,000 tons; to the rest of Europe, 200,000; to the United States of America, 55,000; to Canada, 10,000; to Australia, 50,000; to Hong Kong, 100,000; total, 422,000 tons. For all this the planter is reimbursed by the proceeds of sterling bills, drawn on London, and sold in Batavia against silver guilders.

1790. Has there been any difference in the trade of Java with China since silver fell and your standard became fixed?—Not that I am aware of. That part of the business I have not followed so closely since I have left Java. There are very considerable drawings on China and the Straits Settlements through the three banks, the Chartered Bank of India, Australia, and China, the Chartered Mercantile Bank of India, London, and China, and the Hong Kong and Shanghai Banking Corporation, for trade and finance purposes, on Singapore, Hong Kong, and Amoy; and these silver dollar transactions certainly have an influence upon the sterling and guilder rates of exchange to an appreciable extent. Well, it is not a serious matter. I should say that the total drawings are not more than 200,000 dollars a month on China; but on Singapore they are from time to time very much more extensive, as purely financial operations in the way of silver dollar bills covered by sterling gold bills on London.

1791. Have you formed any opinion as to the practicability of adopting in British India a similar system to that which has been adopted in Java?—Well, I sometimes, like other men, form at one time one opinion, but, reading things over and going into them again, one remains in doubt whether the Dutch system is best; but I think that, before going into this, one must look to two important points. Well, the position and circumstances of Holland and England are different; the people of Holland are naturally very safe and careful men, and speculations or operations, which to an Englishman trading with British India would perhaps mean but little, or fluctuations of trade or exchange, he does not like. He is eminently a safe man, and prefers to have his business, even if he has less profit, more secu

Another point is that the finance or currency of Netherlands India and Holland is of necessity one. It is a very different position from that of this Empire and British India, as England has not merely to consider India, but how any changes may affect its business with the entire world; while, as regards Holland and Netherlands India, they are compelled to combine their currency system, and it is an absolute necessity they should continue the present system. (*See note at foot.*)

1792. You mean that there is not the same necessity as between India and England; in fact, they have not now the same system?—No, my Lord, they have not.

1793. (*Sir Thomas Farrer.*) They always had the same system between Java and Holland, when it was all silver?—Well, say the last 20 years or so they were; rather more than 20 years ago it was put on this basis. It has worked very well. It was formerly a very mixed-up affair, as you will find from Mr. Van den Berg's book and other records.

1794. (*Sir Reginald Welby.*) Holland maintains its financial equilibrium by a tribute from the Colony?—Certainly, it is a matter of great remark just now, whether our system could have produced anything like it; but that possibly is less a question of currency than of taxation. From the official budget report now in my hand (Zitting 1892–3, Begrooting van Nederlandsch—Indie voor het dienst jaar 1893. Bijlage A der memorie van toelichting, No. 7*a*.), you will see that the total debt of Netherlands India to the Netherlands is 32,905,799 guilders (2,700,000*l*.); that is the total debt of Java. You may say it is not a debt at all, because it can be wiped out at any moment by a remittance or by credit on capital account against Productive Works. In these 20 years they have paid from the Colonial budget the expenses of the Achinese war, amounting to 400,000,000 guilders, (about 33,000,000*l*.); upon railways, harbour works, and irrigation canals, there has been expended 200,000,000 guilders (about 17,000,000*l*.); that is, 600,000,000 guilders, equal to 50,000,000*l*. sterling, in these 20 years have been put to the debit of the Colonial budget, and the amount owing by Java to the mother country at present is 33,000,000*l*. guilders, less than 3,000,000*l*. sterling. (*See note at foot.*)

1795. (*Sir Thomas Farrer.*) Do you mean that that money has been paid by Java?—Yes, sir, by Netherlands India; practically, by Java alone.

1796. (*Chairman.*) Are your business relations at all with British India?—No, my Lord.

1797. So that the information you can give us is about the standard fixed in Java, and its working?—Precisely, my Lord.

1798. You have no experience of the working of the trade between England and India, and its fluctuating ratio?—No, my Lord, what I might have had something to say about would have been Singapore and Java—places I have been connected with.

1799. Is there anything in the trade relations with Singapore, which would enable you to assist us with any information?—Well, excepting that the prosperity of Singapore and the Malay Peninsula and the New States a few years ago was looked upon as something very wonderful, as every one who is engaged in the trade is well aware, at present both planting and mercantile interests have certainly suffered very severely, so that the prosperity, so-called prosperity, of the few years ago appears to be doubtful. They have the dollar now lower than it ever was, and their position commercially and the planting has certainly never been worse than it is just now.

1800. (*Sir Thomas Farrer.*) Singapore?—Singapore and the Malay Peninsula.

1801. (*Mr. Courtney.*) And the mining? That too?—It has always gone on; of course, mining has never suffered so much, if at all.

1802. (*Chairman.*) To what do you attribute that change?—I must say I attribute it a great deal, not to the dollar altogether, but simply to bad trade.

1803. (*Sir Reginald Welby.*) But is not the trade of the Straits generally very good?—Not the last year or so.

1804. No, but I mean over a series of years?—Over a series of years it has been a steady profitable business, constantly expanding.

1805. I have been very much struck by a case which possibly you may know. It is 30 years or so since the Straits passed from the Government of India to the Imperial Government, and the progress it has made since that time as a free port has been very wonderful?—Very remarkable.

1806. Therefore I put before you, has not a very considerable advance been made, and what you are speaking of now is only a fluctuation upon a very large increased amount of prosperity?—It may simply be the reaction. The ordinary merchant attributes it very greatly to the silver question, but I really could not tell myself.

1807. (*Lieut.-General Strachey.*) Is not Singapore rather an entrepôt of trade?—It is so, nothing else,—an active central depôt.

1808. (*Chairman.*) Has the investment of Dutch capital in Java increased, do you think, owing to the fixing of the standard?—Oh, I think so.

1809. Do you mean by that, that it would have been less if the standard had not been fixed, or that the present state of things is better than the state of things which preceded it?—Well, my Lord, I do not know that in our way,—I mean to say there *possibly* would be a difference; but I am certainly of opinion that Dutch capitalists prefer smaller profit, with greater fixity of value. They look upon that as a *sine quâ non*, the fixity of value: they say: "We do not care; "we will not have these uncertainties in business and "fluctuations in exchange which you Englishmen "have; we know our business, and we will not be "subject to these panics and crisises which they "have elsewhere." The *fixity of value* is what they constantly go upon, and I do not believe that, with an unstable currency and rate of exchange, capital would have flowed in at all to Java in the same way; not from Holland, at least.

1810. Was the standard of Java and Holland the same, prior to this change that was made in 1873?—It was nominally the same.

1811. (*Mr. Godley.*) But not really; not actually?—Well, it got into a regular muddle. There was an enormous quantity of copper coin. The native was not so accustomed to silver as he is now.

1812. (*Chairman.*) How long had that gone on?—It had gone on, I suppose, for over 30 years, fully.

1813. But did the guilder bear the same relation to gold as was fixed afterwards?—I am not quite certain about that, my Lord. I had not taken such an interest in the matter then. Although, in fact, in Java in 1870, when these changes were going on, I was occupied in business in the eastern part of the Island, and I did not pay so much attention to it, especially as all the finance is really done in Batavia. This, however, will be found in Mr. Van den Berg's book, 1873; it was then that the change was made.

1814. (*Sir Reginald Welby.*) It is the case, is it not, that a merchant wanting gold in Java would go and ask for it?—No, sir; practically, for the purposes of large commerce, there is no gold.

1815. There is gold in the bank?—There are ten-guilder pieces and sovereigns. (*See note on next page.*)

NOTE to Q. 1791.—I am inclined to think that, had we adopted a gold standard for India on the Dutch basis 20 or 25 years ago, before the establishment on a large scale of the cotton mills and other important industries, it might have been advantageous to India and England; but I do not think that such a change could now be made, without causing enormous inconvenience, and even disaster.—A. MacC.

NOTE to Q. 1794.—To put it more clearly, there is no debt at all; it is a matter of keeping accounts; *e.g.*, if Java is credited with her 200 millions of outlays upon revenue-producing works, and debited with her debt of 30 millions, she has a clean credit balance of 170 millions of guilders, or 14,000,000*l*.

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NOTE to Q. 1815.—A copy of the Bank's weekly returns will show exactly how it stands. I take the following from the Batavia Exchange Market Report, No. 23, dated 11th November 1892 :—

JAVA BANK.

	2nd Nov. 1892.	9th Nov. 1892.	Increase.	Decrease.
ASSETS.	*f.*	*f.*	*f.*	*f.*
Cash at Head Office and Branches :				
Silver	18,302,577·54	18,822,201·42	519,623·88	—
Gold	4,310,260	4,308,360	—	1,900
Bullion :				
Gold	937,375·41	929,466·81	—	7,908·60
Silver	—	—	—	—
Bills discounted	9,771,538·90	9,445,170·45	—	326,368·45
Bills receivable abroad	1,396,532·58	1,385,155·54	—	11,377·04
Loans on merchandise and other securities	12,513,183·06	12,815,808·82	302,625·76	—
Capital invested	5,861,415·72	5,772,623·22	—	88,792·50
Reserve fund invested	534,500	534,500	—	—
Invested pension fund of staff	50,292·50	50,292·50	—	—
Sundries	3,716,192·86	2,832,441·69	—	883,751·17
	57,393,868·57	56,896,020·45	822,249·64	1,320,097·76
LIABILITIES.				
Capital	6,000,000	6,000,000	—	—
Reserve fund	558,869·45	558,869·45	—	—
Pension fund of staff	53,560·10	53,576·56	16·46	
Notes in circulation	46,380,697·50	46,336,802·50	—	43,895
Bills payable abroad (Bank post bills)	1,159,202·42	1,085,663·71	—	73,538·71
Current accounts	2,503,726·18	2,113,574·36	—	390,151·82
Sundries	737,812·92	747,533·87	9,720·95	—
	57,393,868·57	56,896,020·45	9,737·41	507,585·53
Available specie surplus	3,532,762·51	4,245,612	—	—

Java bank's rate of discount, 7% .

1816. Therefore, anybody requiring it has no right to demand it?—Not in large quantities ; he would get some in exchange for Java bank-notes.

1817. It is essentially a gold standard without a gold currency ?—Practically it is so ; but, by shipping guilders back to Holland, as Mr. Van den Berg, former President of the Java Bank, and now President of the Bank of the Netherlands, explains in his letter to me of the 9th instant (*see* Appendix*), you will see that Holland places no restriction upon obtaining gold for export ; and, with the stock of gold held by the Bank of the Netherlands and its purchased gold drafts on London and Berlin, in addition to its reserve force of selling silver, for account of the State, against gold, they do hold gold. However, the President's very lucid letter speaks for itself, without my comments.

The witness withdrew.

Adjourned.

At the House of Lords, Westminster, S.W.

SEVENTH DAY.

Saturday, 26th November 1892.

PRESENT :

THE RIGHT HON. LORD HERSCHELL, THE LORD HIGH CHANCELLOR, THE CHAIRMAN, PRESIDING.

THE RIGHT HON. LEONARD HENRY COURTNEY, M.P.
SIR THOMAS HENRY FARRER, BART.
SIR REGINALD EARLE WELBY, G.C.B.
MR. ARTHUR GODLEY, C.B.

MR. HENRY WATERFIELD, C.B., *Secretary.*

Mr. J. H. Sleigh.

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MR. JAMES HUME SLEIGH, Secretary and Treasurer of the Bank of Bombay, called in and examined.

1818. (*Chairman.*) You are acquainted with the discussions which have arisen as regards Indian currency, owing to the fall in the value of the rupee as compared with gold ?—Yes, my Lord.

1819. And with the proposals of the Indian Currency Association ?—I am.

1820. For the creation of a gold standard ?—Yes.

1821. At a ratio to be fixed ?—By Government.

1822. And the stoppage of the free coinage ?—The stoppage of free coinage at the mints.

1823. What do you think would be the effect of stopping the free coinage of the rupee in India ?—I think it would drive the banks and others into making remittances to India in gold instead of silver.

1824. Would they cease to remit in Council bills ?—Oh, no. The balance of trade would be remitted chiefly in gold, in the event of the mints being stopped to free coinage ; and the banks, for what is necessary to remit to India beyond the amount of council bills sold, would fall back upon gold as the only medium of remittance.

* Page 231.

1825. What effect do you think that would have upon the exchange?—I think it would raise exchange; but Government would fix a rate above the existing rate.

1826. It would depend upon the ratio which the Government fixed for the gold standard?—It would depend upon that ratio, I think.

1827. (*Sir Thomas Farrer.*) In order that we may quite distinctly understand you, do you assume simply that the mints would be stopped from coining silver, or that they would also be open to coin gold?—I assume that the mints would be stopped only as regards the free coinage of silver.

1828. I only wish to know which of those two assumptions you meant?—Only that the stoppage of the mints should have reference to the free coinage of silver.

1829. Only that silver was stopped?—Only that silver was stopped; not that they were open to coin gold for issue.

1830. (*Chairman.*) What effect do you think it would have upon the silver market?—A most depressing effect.

1831. It would cause a large fall in silver?—I think it would cause a collapse in the silver market.

1832. Have you formed an opinion as to the ratio which ought to be fixed?—I have no strong opinion as to that point. I think that probably 1*s.* 6*d.*, which has been mentioned by several authorities on the subject, would be a very reasonable rate at which to fix it as a starting point.

1833. You have said that, in your view, those who had to remit to India would be driven to remit gold instead of silver?—I think they would.

1834. What effect do you think that would have upon the position of gold with regard to its use as currency?—I think there would be a scramble for gold in the European markets, and possibly in America as well.

1835. What effect would that have?—It would have this effect. The European countries, as well as America, would, in consequence of the scarcity of gold, become solicitous to effect an international arrangement, whereby silver and gold would be interchangeable at a fixed ratio, and fluctuations reduced to a minimum. But I think the banks would be able to get gold, notwithstanding the scramble that might arise, because the balance of trade would have to be paid in gold in this country; and I do not think there would be any lack of gold for the purpose of remittances through the exchange banks, seeing that value would be received in commodities on this side.

1836. Would it largely increase the amount of gold that went to India?—I think so, very largely. Nearly all that has hitherto been remitted in silver would then be remitted in gold; and I might also point out that the banks would only be able to get the medium of currency in India freely from Government—from the mints. The banks would hand over the gold to the mints, and get coined rupees in return.

1837. Do you think it would be possible to maintain the ratio which was fixed in that way?—I think so; I do not think there would be any difficulty about that.

1838. Would a large stock of gold in India be necessary for the purpose?—Not to begin with.

1839. Would it be necessary absolutely to cease coining silver, or might it go on to the same extent as at present?—I think Government, when they found that the currency required replenishing, would themselves remit silver to India to be coined into rupees, which Government would in turn sell, at a pretty large profit, to the holders of the gold, who would exchange the gold for the rupees. Government would hold this gold until it accumulated to a point at which they might feel strong enough to issue currency notes against it, or to introduce a gold currency.

1840. How would the necessity for additional silver currency be ascertained?—By the rate of interest that would rule in India. So soon as the rate of interest rose above a certain figure, it would be a very reliable indication of a dearth of currency.

1841. But does not the rate of interest vary very much at different periods of the year; at some, very high; at others, very low?—It does. As a rule, during the export season rates rise very materially, although they have only risen very little during the last two export seasons.

1842. Then do you mean rising to a height beyond the average to which they have been accustomed to rise at a particular season in the previous year?—I think if the rate of discount or interest rose, say above six per cent., Government might very well understand then that there was a dearth of currency.

1843. But might not that arise from a variety of causes, other than a dearth of currency?—I think not, unless very partially. I have never known the rates of discount rise above five or six per cent., except through the demands of trade.

1844. Yes, but hitherto, when it has risen higher than that, it has not been from any dearth of currency, because currency is automatically increased?—Well, but there has frequently been a dearth of currency for the time being, before the exchange banks could send out silver or remit Council bills to India. When the demand existed, the exchange banks very frequently refrained from making remittances to India in consequence of a fear that exchange might fall.

1845. But, if you coined specially to meet that condition of things, indicating, as you say, a dearth, might not the currency become redundant very soon afterwards?—I do not think so; I do not think it would to an appreciable extent. Of course there would always be a considerable difference between the available money existing during the export season, and that existing during the dull season of the year when trade is slack; but I think it would be a very safe indication of a dearth of currency if the rate of discount rose above a certain rate.

1846. (*Mr. Courtney.*) Would you apply that same doctrine to England?—I have not thought of that for England, but I should say that it would. I think it would be safe to do so.

1847. You think that the variation in the rate of discount on the London market indicates a surplus or deficiency of currency?—I think we see every day that the available amount of money is the guide to the rate of discount.

1848. (*Sir Thomas Farrer.*) Is a demand for money a demand for currency?—I think so.

1849. (*Chairman.*) First let me ask you this, has not been the experience of the nations who permit silver to be an unlimited tender at a certain ratio to gold, which is below the market value of silver measured by gold, that it is necessary to stop the coinage of silver altogether in order to maintain the ratio; or at all events has not that been supposed to be necessary?—I think not. Until Germany threw her silver upon the market, the Latin Union maintained the equilibrium to that date uninterruptedly.

1850. At that time the mint was open freely to both gold and silver?—And it was only after that that the countries of the Latin Union suspended the free coinage of silver; and yet the silver coins in these countries still circulate at the old ratio to gold.

1851. I am speaking of the time subsequent to that; at the time when there was not the bimetallic system, that is to say, when the two metals were not admitted freely to the mint, subsequent to the period when a gold standard was fixed with a ratio between gold and silver, both France and Holland, we are informed, practically, for many years, ceased coining silver at all?—That is so; they have ceased coining silver, but maintain a gold standard, with a fixed ratio between the two metals.

1852. That was under the belief that they could not maintain their gold standard and the ratio, except by doing so?—I think that was under the belief that they, unaided, could not maintain a universal equilibrium.

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1853. But why should India, unaided, be able to do it?—I do not think that India could. Silver is much more useful in India, as the means of barter, than it is in Europe. The prices of commodities bought and sold in the country itself are for the most part of smaller value, and the small coin is therefore more necessary.

1854. (*Sir Thomas Farrer.*) Have you considered what would be the effect of opening the Indian mints to gold, at the same time that they were closed to silver?—I have considered that point. My impression is that it would be a mistake for the present to open the mints to the coinage of gold, if the gold coined was to be issued freely to the public.

1855. (*Chairman.*) Why?—Because I think it would disappear.

1856. (*Sir Thomas Farrer.*) It might form, might it not, an automatic mode of regulating the currency, if, in order to get silver rupees, persons were obliged to take gold to the mints?—Yes, but I fear that, if the gold coins were issued, they would disappear very rapidly. Gold is very convenient for the purpose of hoarding, and all our experience goes to show that it never comes back, once it is taken possession of by the natives; except to a small extent, perhaps, when there are exceptional advantages in selling it.

1857. But would coining gold make it more liable to be hoarded?—Yes, if it were issued to the public. To some little extent the reasons that make the natives hoard it might disappear, knowing that they could get the gold in this way.

1858. (*Chairman.*) But is it your idea that the Indian Government should keep in store the gold that they receive in exchange for rupees?—Yes, that is my idea; that they ought to accumulate the gold that comes into their hands, until it has reached an amount, to be ascertained hereafter, at which it would be safe to introduce the gold coinage to the public.

1859. (*Sir Thomas Farrer.*) What I wanted to get at was this; supposing that the public wanted more currency, might not opening the mints encourage persons to take gold to the mints, to get it coined, and to get rupees at the fixed ratio for the gold?—I think it would have that effect, whether it were to be coined or not.

1860. Well, might that not be a means of automatically regulating the currency?—It would to some extent.

1861. (*Chairman.*) What do you think would be the effect on the imports into India, of fixing a gold standard, say at 1*s.* 6*d.* at present?—I think it would improve the import trade of the country, because the natives would have a smaller amount of rupees to pay for their imports than they have at present, which would always be a strong inducement to purchasers.

1862. But would not they get an equally small number of rupees for their produce?—I think not, judging from the fact that nearly every drop in exchange has been followed by a fall in gold prices, and that the natives of India would not be so prone to sell their produce at the low rates they have been doing if the price of the rupee were to rise.

1863. Do you think that the export trade of India would receive a check, if the plan suggested were adopted?—I think it would; a temporary check, as I have seen in every serious fluctuation in exchange.

1864. But you think that it would be only temporary?—Only temporary.

1865. (*Sir Thomas Farrer.*) A fluctuation either way?—Either way.

1866. (*Chairman.*) In your view, would the better course be to fix the rate at once, or, instead of fixing the rate at once, to close the mint and allow the ratio to rise to a certain point?—That is to say, immediately after the adoption of a gold standard?

1867. Yes?—I think that the suspension of free coinage would naturally raise the gold price of the rupee; but it would not assure to it the desirable fixity of value in commercial transactions. It would therefore be absolutely necessary for Government to fix the ratio.

1868. To fix it at once?—It would require to be simultaneous with the closing of the mints.

1869. You do not think it would be possible to close the mint, and induce a rise of the ratio, without fixing the point at which that operation would be allowed to cease?—The point at which rupees would be changeable into gold? I think so.

1870. I believe that the remedy which you consider the sound and expedient one is the adoption of bimetallism?—I think that is the best remedy of all. In the event of bimetallism not being adopted, I think for India the adoption of the gold standard would be the best course to follow.

1871. Has your experience in connection with India been chiefly mercantile or banking?—Entirely banking.

The witness withdrew.

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SIR FRANK FORBES ADAM, C.I.E., called in and examined.

1872. (*Chairman.*) You have resided in India, and been largely concerned in business between this country and India?—I have resided in India for 17 years, partly in Calcutta, and partly in Bombay, and during all that time I have been connected with a large business, chiefly an import business, with this country.

1873. (*Sir Thomas Farrer.*) Import business into India?—Into India. I was President of the Bombay Chamber of Commerce, Member of the Legislative Council of the Governor of Bombay, and President of the Bank of Bombay.

1874. (*Chairman.*) Your attention has been directed to the proposals which have been made by the Indian Currency Association, for the creation of a gold standard, as a remedy for the fluctuations in exchange?—Yes, I have read them.

1875. And the difficulties which the Indian Government experience, owing to a falling exchange?—Yes.

1876. Do you think that the change to a gold standard for India would be an operation, "the "greatest and most difficult of the nature ever under- "taken, would have far-reaching effects, and ought "not to be attempted, unless under the pressure of "necessity"?—I think so, certainly.

1877. Those are the words of Sir David Barbour which you adopt?—Which I agree with, my Lord.

1878. Supposing that the change were proved to affect the interests of India adversely, do you think that it would also adversely affect the interests of this country?—I think, undoubtedly, the trade of this country is so large with India, that anything that proved injurious to India would certainly affect adversely the best interests of Britain.

1879. In your view, all the proposals of the Indian Currency Association largely derive their support from the dissatisfaction that exists among the civil and military servants of the Government?—So far as I have been able to gather from not only following the native and the European press, but also from many private communications from gentlemen, European and native, largely engaged in India in commerce, that is the conclusion at which I have arrived; that, though there is undoubtedly dissatisfaction existing among a certain number of those carrying on the foreign trade, really the origin of the movement and its true force proceed from the servants of the Government.

1880. Do you think it has been shown that necessity has arisen which would justify a radical

change in the currency system of India?—Well, my Lord, I should say not, and for many reasons: in the first place, it has been said that foreign trade has been paralysed by fluctuations in silver; well, going back to the time when the fluctuations of exchange began, say 1874-75, till now, the value of the foreign trade has nearly doubled, or more than doubled. I think it was 800 lakhs in 1873-74, and in 1890-91 it was 1,700 lakhs.

1881. As to that, must you not, in comparing the later period with the former, take into account the diminished value of the rupee?—I am taking it in rupees.

1882. Yes?—So as to get over that difficulty—the actual value in rupees.

1883. (*Sir Thomas Farrer.*) That does not get over it, does it, if the rupee has fallen?—Well, of course the rupee has not fallen in India—the value of the rupee.

1884. It all depends, does it not, upon the question whether you are to take silver as the standard, or gold as the standard?—Precisely. Well, I regard silver as the standard of India, that is the standard of an internal trade that is probably ten times as great as the foreign trade; and it is only with regard to the fluctuations of trade conducted with foreign countries—gold-using countries—that any trouble has arisen. It has only been with regard to the foreign trade, which amounts to about 200,000,000*l.* annually, that inconvenience has arisen owing to fluctuations; and, nevertheless, the value of that trade has doubled in rupees in fifteen years. It was Rs. 5·4 per head of population in 1880, and Rs. 6·8 per head in 1890.

1885. (*Chairman.*) Your point would be that the Indian people have received more than double the number of rupees that they formerly did?—Not quite. That is a different point. On that head my argument would be that, so far as the export trade was concerned, the producers of India would have received, for their surplus exportable produce, owing to the fall in gold prices, a very much smaller number of rupees; but, owing to the fall in silver and exchange, they have been saved from that, and have been receiving the same number of rupees,—rupees which go in India as far as ever.

1886. (*Mr. Courtney.*) The Lord Chancellor's question is this: you are trying to estimate the growth of the foreign trade of India; ought you to estimate that growth on the rupee value then and now, or on the gold value then and now?—The rupee value; but might I get over any doubt on that score, by suggesting quantities? I think you will find, if you take quantities, that the increase has been equally great. Might I give you the figures?

1887. (*Chairman.*) Certainly?—If we take, as an illustration, the yearly average of shipments from the United Kingdom to India for 1871-75, it is 1,124 millions of yards of cloth and 30 million lbs. of yarn; in five years ending 1890, the average was 2,147 millions of yards and 52 million lbs.

1888. The present condition of affairs in your judgment must be looked at from three points of view?—So I think.

1889. First, as affecting Government finance; next, as affecting the people as regards trade, commerce, industries, and agriculture; and third, as affecting Government servants, and those with fixed salaries paid in rupees?—Yes; and, of the three, the second is vastly the most important.

1890. Now will you deal first with the question as it affects Government finance; does the credit of the Government stand high?—Judging from the price of rupee paper in India during the last year, it stands higher than ever it has done before.

1891. And the budgets during some years past have shown an annual surplus?—That is to say, on the balance of ten years there is a surplus. There have been years of deficit and years of surplus, but on the balance of ten years they show a surplus.

1892. During those ten years, has expenditure been considerably swollen by various contingencies?—I think expenditure which we may justly conclude is not likely to recur, has been very great; first, in regard to annexation and pacification in Upper Burmah; secondly, in regard to the fortifications of the North-West Frontier; thirdly, there have been large sums spent in coast defences, all out of revenue. The troops have been armed with a new rifle, which has been paid for during the last two or three years, and now that is completed or nearly so. We have had numerous punitive expeditions, such as the Nagar, Manipur, and Black Mountain expeditions, &c. &c., and troubles with the hill tribes.

1893. Those last probably are hardly likely to cease?—Those are likely to recur, but perhaps they will not be quite so frequent.

1894. During those years the loss on the home charges caused by the falling rupee has largely increased?—The loss on the home charges has largely increased, and yet, in that connection, I should like to say that it seems to me that usually the amount of loss to the Government in official statements and otherwise is very much exaggerated. For instance, in the Blue-book, the statistical abstract of British India, where they state the loans, they take every loan as if it had been raised on the equivalent of 10 rupees to the 1*l.*, that is 2*s.* exchange, whereas very few loans indeed have been raised at such a high rate as that. A great many of them have been raised at varying rates from 1*s.* 1*d.* to 1*s.* 9*d.* down to 1*s.* 7*d.*; that is one point. Sometimes the loss on the annual amount spent by the Government in stores in this country is added, whereas, as a matter of fact, it is a very ordinary transaction, where you buy the stores at the gold price and draw for them at the price that you have paid at the exchange of the day. There is no actual loss to Government. They have the advantage of the fall in the gold price. Then another point I would like to draw attention to is, that many of those loans were presumably raised in England, because the rate of interest was lower in England at the time than in India; and therefore, where annually the Government of India, against the loss by exchange in remitting their home charges, have a gain in interest as compared with what they would have been paying in rupees had they raised the money originally in rupees, they should set that against it as a deduction. For instance, if you raise the loan when the rupee is 1*s.* 8*d.*, and you have to pay in India 6 per cent. and you have to pay at home 4 per cent—I simply use these figures for the purposes of illustration—when the rupee falls to 1*s.* 3*d.*, the difference between 1*s.* 3*d.* and 1*s.* 8*d.* would be equivalent to another 1 per cent., that is 5 per cent.; but, if they had to pay 6 per cent. if they had raised the loan in silver, there remains a gain to Government annually of 1 per cent. I do not say the gain is so great, looking at what has actually occurred, because I do not think the difference between the rate of interest is as great as I have stated; but I only wish to emphasise it, so as to bring the point that I have in my mind before your Lordship's attention.

1895. During recent years, has there been a reduction in the interest paid by India on a part of her debt?—Yes, there has been a reduction.

1896. Then how has the loss to the Government been covered?—Well, before answering that, I should like to point out that, if we had had a gold standard in India at 2*s.*, India would now be suffering just as this country is suffering in its great agricultural interests, farmers and landlord. Government being the great landlord in India, and getting an income from land of 24,000,000*l.*,—I may put it roughly at 24 crores,—instead of her land revenue decreasing in the last 15 years, I think it has swollen by three or four crores. And that is a point I should emphasise very much, for this reason, supposing that exchange were fixed now at 1*s.* 6*d.*, which I understand is somewhere about the rate proposed by the Indian Currency Association, and we had another fall in gold prices 30 per cent. or 40 per cent., the ryots—the farmers of India—

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would then begin to suffer, and, not being able to pay the rent to the landlord, Government would suffer in its finances. Government has been saved an enormous loss by the silver standard in her land revenue during the past 15 years; and, by maintaining the silver standard, presuming gold prices further decline, she may be saved from loss in the future.

1897. You probably know the suggestion that has been made, that it is the fall in the rupee which has brought down the gold price of agricultural produce in England, and that, but for that, the gold price might have been higher, and that, though with a higher exchange, the rupee price might have been the same?—I cannot agree with that; take cotton for instance—the supply is ruled by America, America having the largest crop. Against India's 1,500,000 bales, America has, chiefly for export, 7,000,000, 8,000,000, or 9,000,000 bales; during the last few months, owing to prospects of a smaller American crop, prices have advanced 40 per cent., while silver and exchange were without alteration. And take wheat, against India's export we have Russia, America, and Canada, with enormous surpluses, competing against each other in supplying the gold-consuming countries. My own belief is this, that there would have been little or no difference in the fall in the gold prices, had a fall in exchange not taken place.

1898. If India had been out of the competition?—If India had been out of it, I think the fall in gold prices would have been very nearly as great, if not as great, as it has been, owing to the competition that there has been among countries producing very much more largely the commodities which India exports notably wheat.

1899. Has it been necessary, in order to cover the loss by the fall in exchange, to raise much by additional taxation?—I think not, except a petroleum and an income tax, which last tax I know there is a strong feeling against in many quarters in India, but which I have always supported on the ground that it reaches a rich class of people, who really would pay nothing to the State, save for the income tax, and what they pay on the little salt they use. There has also been some increase in the salt tax, which however cannot really be said at present to press heavily upon the people. The salt tax is always a crux question in India, but, in spite of the increase in that tax, taking the average price of salt all over India, it is lower in price than it was 15 years ago.

1900. Does not the income tax go rather low down?—It does go down to 500 rupees, and of course that is a matter which has been, as your Lordship is no doubt aware, often considered, whether it ought not to begin at a higher income; but the bulk of it is derived from the traders and bankers, rich men in all the chief towns, who would pay very little to the State, if it were not for the income tax.

1901. During recent years there have been some remissions of taxation?—There have been during the last 10 or 12 years import duties taken off.

1902. Then, in the main, has the deficiency, such as it has been, been covered by an expansion of the revenue?—That is undoubtedly what I should say, looking at the figures under almost every head. Land, as I have already mentioned, railways, irrigation, stamps, registration, excise. There is not any head of the revenue under which there has not been an expansion, a natural expansion and growth; and I may mention at the same time that, during those last 10 years, out of revenue Government have really paid off a certain sum of the debt, the permanent debt of India; not the debt raised for the making of railways, irrigation and public works, but the debt not represented by any assets. They have actually paid out of revenue during the last 10 years a considerable sum.

1903. (*Mr. Courtney.*) How has that come about?—Well, I suppose by the Famine Insurance Fund. I could show you the figures here, if you would like to see them. In 1880-81, to go no further back, the debt was 102 crores, and in 1889-90, 79 crores. Of course the railway debt has increased during that time, and the debt for irrigation and public works. I am only pointing to the debt that is not represented by any assets in India.

1904. (*Sir Reginald Welby.*) That is to say, no debt has been incurred during the 10 years except for reproductive purposes?—Except for reproductive purposes; and during that time a sum has been paid off, the difference between 102 crores and 79 crores.

1905. (*Mr. Courtney.*) But may that not be made up by a corresponding increase in the public debt of India?—No, the figures give together both the rupee and sterling debt.

1906. (*Chairman.*) Dealing next with the effect of the fall in exchange and fluctuations of exchange upon the people of India, do you think that the fall in exchange, as apart from the fluctuation, has been prejudicial?—No, my Lord; I think that the fall in exchange has been most beneficial to the export trade of the country. In an earlier part of my examination, I did mention, in regard to the fact that they are now receiving the same prices for their produce in rupees as they were 15 years ago, that they are saved from the loss which otherwise they would have made by the fall in the gold prices of the commodities they export. In regard to the commodities they import, they really, owing to the fall of the gold prices which has been greater than the fall in exchange, get the clothing which they import, and their metals, copper and brass, and other things which they use largely throughout the whole of India, cheaper than they did 15 years ago; and, as far as the figures I have been able to take out go, they point to this, that for the food that the people buy—that is the millions throughout the whole country, they pay very little more than they did 15 years ago. You see there are four classes of products; there are the products which are wanted in gold countries, and which they do not use in India at all,—they are all exported; there are the products which they do not produce in India and all which they bring from gold countries; there are the products which they partly produce and consume in India and partly export; and the products which are produced and entirely consumed in India; so that one has to divide it into these four classes, and I think it must be said that you cannot see, looking to the prices in India of all four, where the fall in the rupee has been hurtful to the people of India during the last 15 years, or how they have suffered from it.

1907. (*Sir Thomas Farrer.*) And you think the fall in exchange has been an unmixed blessing to the people of India; that they get as much for what they sell, and they get what they buy for much less?—That is what actual figures point to.

1908. So that altogether it has operated entirely for the benefit of the people of India, and has altered the conditions of exchange between this country and India to the benefit of the people of India?—On balance, certainly; I would not like to say altogether; you can pick out certain places, no doubt, where individual interests have suffered; but, if you asked me on balance, I should certainly say in my mind it has been most beneficial to the people of India,—to the 300,000,000.

1909. And consequently, as exchange produces nothing, it has been equally injurious to the people of England?—Well, that confuses two subjects. You see the fall in the gold price is a matter quite separate from the fluctuations in exchange with silver-using countries. That, as we know, has been very injurious to many interests in England; I would not say to all or to the majority of interests, but certainly to the agricultural interests it has been injurious; but, as I have already said, it owes little or nothing to the fall in silver and exchange. On the other hand, the fluctuations in exchange with silver-using countries have checked trade, no doubt, impeded, and made it more difficult. But the figures I have given show

that rapid growth has not been prevented. I do not think that England has suffered.

1910. That England has suffered?—That England has suffered.

1911. Then where has India got the benefit, because exchange in itself you will agree creates nothing out of it?—Nothing whatever, it is simply a matter of barter,—a medium for adjusting prices.

1912. You said that India was so much better off, and England not the worse?—For the reason that, having a silver standard and having large quantities of surplus exportable produce to export to gold countries, and the gold prices having largely fallen, she would, had she had a gold standard, have suffered in her agricultural interest, which is the great interest in India, by the fall in the gold prices; but, having a silver standard, and the silver rupee continuing now to go as far as ever it did in the purchase of commodities, she has been saved by the fall in silver and exchange from the loss which she would have sustained by the fall in the gold prices had she had a gold standard, and her purchasing power of England's manufactures has been thereby increased.

1913. Then we have one admirable way of getting rich, have we not, to depreciate our standard, and our currency?—That again, is a different matter. The standard of India in India has not been depreciated; and I think that the conditions of the two countries, England and India, are exceedingly different; we have in England economies in the use of currency in every possible way; there is little necessity for the use of currency in our business transactions; whereas the whole trade of India, the whole of the great internal trade of these 300,000,000 people of India, is now conducted by the actual transfer of coin from hand to hand, except in the Presidency towns, and some of the large up-country towns, and even there you will see at the present day men paying their debts, by bringing in bags of rupees, rupees in thousands; and therefore, I think, while we are able to do without a large supply of gold in this country, we could not do without an unrestricted supply of silver currency in India, owing to the entirely different conditions that exist in the trade and conditions and habits of the people of the two countries.

1914. (*Chairman.*) It comes to this, does it not, that, the silver having fallen to about the same extent as produce has fallen, there has been no dislocation in India, such as existed in England, and that the whole commerce and transactions of the country have gone on very much as they did before?—Yes; silver for India has proved a most stable standard during those 15 years; that is to say, silver in relation to commodities has not altered, whereas gold in relation to commodities has altered in gold-standard countries to the extent of thirty per cent. You may put it in that way, your Lordship, I think.

1915. (*Sir Thomas Farrer.*) You call a standard stable when it continues to bear the same relation to commodities, although those commodities are produced with a much smaller effort, and at a much smaller cost?—Well, in India I should not say that commodities have been produced with a smaller effort, or at a smaller cost.

1916-7. Oh! I was not asking you about India; I was only asking you an abstract question? What is the meaning of stability of a standard?—My own opinion, if I apprehend what you wish me to answer now is, that the fall in the gold prices has been very much more brought about by the increased production and cheapening of production than by any scarcity of gold.

1918. That is what I wanted to get?—That is certainly my opinion.

1919. (*Mr. Courtney.*) Oh! but the abstract question is not answered yet. We would like to have your view on it?—What is that?

1920. Supposing you are going to start a currency for the first time and a standard, would you aim at something which should always represent the same quantity of commodities, or something which should always represent the same expenditure of unskilled labour, or what would it be?—That is a physical impossibility.

1921. That is not the point; what would you aim at?—I would rather not go into that. It depends so much on circumstances.

1922. (*Sir Reginald Welby.*) You have said that silver goes as far in India. I think we have had evidence before us that there has been a very considerable rise in the price of rice, which I suppose is the staple, I may say, of food?—Well, it is the staple food of only one portion of India—Bengal.

1923. But that is a very large and important portion, is it not?—It is the staple food of an important section of the people; there is no doubt about that; still I think myself, if you compare the average prices, you will find that there has not been such a great rise. There was a scarcity of rice in Burmah last year owing to the failure of the crops, and the prices for that year went up very much indeed; but I think myself, if you take the average prices for 1880 to 1885, and then 1886 to 1890, you will find there is a very small difference.

1924. (*Chairman.*) During the recent years of which we are speaking, whilst this fall of exchange has been proceeding, there has been a large development of railways in India?—Well, yes. I have often heard it stated that the fall in the rupee has checked the development of railways in India; but, if you take the actual figures of construction, you find that, in the 10 years between 1880 and 1890, there was a greater increase, that is 7,000 miles, than there was between 1870 and 1880, when there were only 5,000 miles constructed; so I do not think that there has been any check to railway construction, owing to the fall in the rupee. I have always considered, if I may say so here, your Lordship, that the reason for the construction of railways in India not having been greater than it has been, was owing to the difficulty of making terms with the Secretary of State in Council.

1925. Then has there been a large amount of irrigation?—Irrigation has extended, which is practically an investment by Government—a lucrative investment, bringing in returns just as railways do.

1926. The cotton mills, the jute and woollen mills, and other industries, have grown considerably of late years?—They have all been added to very largely during the last ten years.

1927. And tea cultivation has enormously increased?—Enormously increased; and, looking to the investment of capital in India, that is for the purpose of industrial and other developments, I see the figures were in 1880 1,500 lakhs of capital invested in joint stock companies, and this last year the returns have just come over from which I see they have increased to 2,600 lakhs. And I would say here that it seems to me to be more desirable to develope India's industries with Indian capital, which is now ample, than with foreign capital which annually drains away all profits and interest.

1928. You have already said that the prices in India of the principal products of India have been maintained?—That is so.

1929. And that the people pay very little more for their food than they did, and pay less for what they import. Now as regards the third head, Government servants?—Might I here, your Lordship, just draw attention to one point? I have no doubt you have had it from other witnesses, and that is the immense sum in silver and gold that has been brought into the country of recent years. I was looking at the figures this morning only. I see that 109,000,000*l.* of silver and over 50,000,000*l.* of gold have been imported into India during the last 15 years.

1930. Of bullion?—Of bullion, that is, after paying for their commodities, and from 14,000,000*l.* to 16,000,000*l.* of Council drafts, representing the home charges, and after all other items have been reckoned; because of course you have to consider what money might be raised by loan, and brought to India to be

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expended in India by the Indian Government. On balance there has been certainly, I should say, over 100,000,000*l.* of gold and silver in the last 15 years, and over 250,000,000*l.* in the last 30 years, gone into the pockets of the people.

1931. Then as regards the third class whose interests are affected, the Government servants, what have you to say?—Well, I think there is no doubt that they have a grievance, that is to say, looking at their position purely as men who have made a certain contract with the Government to get for certain services certain remuneration. Those of them who have their families at home, and have to remit home a proportion of their expenses for family use, no doubt suffer very severely by the fall in the rupee. My own opinion is—I do not know if it is generally held—that, putting aside the question of existing contracts, as all salaries of servants in India were fixed a very long time ago when salaries for services requiring an equal standard of ability and character were at a very much higher level, and, as they have never been reduced, looking to the present market rate, if I may use the expression, they are much higher now than they need be. But that of course is apart from the question of existing contracts which have to be observed; and certainly those who have their families at home, and have to remit home a proportion of their expenses for family use, have a grievance which the Government ought to recognise.

1932. (*Sir Reginald Welby.*) That is to say, to the extent to which it is reasonable that they should remit home?—As to the extent to which it is reasonable, they might be allowed to remit, say, one-third of their salary. As far as their salary is received and spent in silver in India, it goes as far as ever it did, except for a few imported commodities which are chiefly luxuries. And another important point is that during the last 15 years, the gold prices having fallen of some of the things upon which they spend their money in England, they get more than they did, which is a small set-off; but looking at it from every point of view, my conclusion is that they distinctly are heavy sufferers in the amount that they have to remit home to this country for actual family use.

1933. (*Chairman.*) And that, if on the whole it is a good thing for India to preserve the present system, there ought to be some form of compensation to them, or relief at all events from an undue burden?—I think so; I think that the thing ought to be very carefully considered and gone into in common fairness, and with a view of removing what is undoubtedly a very widespread dissatisfaction at present existing among the Government servants.

1934. In your view, it would be better to meet the difficulty in that way, than to change the currency system of India?—I think, looking at all the known circumstances and making no guesses as to the future, most undoubtedly so.

1935. (*Mr. Courtney.*) As I understand you, that applies only to those who have entered the service under existing contracts?—Yes, under existing contracts.

1936. Looking to new servants, you think the scale might be revised?—I think so, and pensions paid in silver.

1937. (*Chairman.*) Now, what are the mischiefs or dangers that you would indicate from carrying out the proposals of the Indian Currency Association, for creating a gold standard, fixing the ratio at 1*s.* 6*d.*, and closing the mints to the coinage of silver?—I think myself, whenever it was publicly announced that the mints of India were to be closed to the free coinage of silver, we would have undoubtedly a further fall, possibly a very heavy fall, in the price of silver in the open market; and here, presuming nothing comes of the International Monetary Conference, and the Americans were not to continue, or to continue only to a modified extent, but not to the full extent, their present purchase of silver, I cannot surmise to what it might go.

1938. As regards America, do you mean in the direction of reducing their purchase of silver?—Either to very much modify what they are doing now, or to do away with purchases altogether.

1939. Now, supposing the standard to be changed in that way, and the price of silver to fall, in what manner should you anticipate that India might suffer?—Well, your Lordship, there are very many ways, and I am quite sure that many of them have already been suggested to you and discussed here; but, if you will forgive me perhaps going over old ground, first, there is the possibility of false coinage, that is to say, you have a vast extent of country and natives who are adepts in that particular form of artifice. They could put the full amount of silver into the rupee, buying it in the outside market at a very low price, and there would be a very strong temptation to pass silver coins largely which could not be detected. I know that doubts have been expressed as to the reality of the danger, and it is said there is some temptation in this country and it is very little availed of; but there again comes in the difference between the two countries. I do not think, because a thing has not happened in England, that that is any argument for saying that it is not likely to happen in India.

1940. You think it is a form of offence which they would be capable of, and likely to avail themselves of?—I think they might be tempted to avail themselves of it.

1941. (*Sir Thomas Farrer.*) Do you know the country well enough to say that from your own knowledge?—Well, only from what I told you. I have had 17 years' experience.

1942. I mean, you are not well acquainted with different parts of India?—I have visited most parts of it.

1943. There are facilities for any offence of that kind?—Well, I may say that I have been all over India; I have been into every native state of India, every part of India, and I have discussed this question with natives who have been in authority in native States, and natives in our own possessions; and that is the conclusion I arrived at after listening to all sides, that there certainly would be a temptation which might be availed of.

1944. (*Chairman.*) Do the rupees of the native States circulate at all outside those States, the hali-sicca rupee, for instance, of Hyderabad?—Not to any very great extent; they are occasionally met with.

1945. The Government rupees circulate everywhere?—Everywhere, yes.

1946. Of course at present there is a fixed relation which is quite well understood between the hali-sicca rupee and the Government rupee?—Well understood, the natives understand it thoroughly.

1947. Supposing the Government fixed a ratio between the rupee and the gold standard and ceased its free coinage, would any difficulty arise in that respect do you think?—Difficulty in what respect, your Lordship?

1948. Supposing in Hyderabad they continued to coin the hali-sicca rupee?—Well, I confess I have never thought of that before. My own impression is that it would be quite possible to make arrangements diplomatically with all the native States in regard to the coinage, if the Indian Government made any change, so far as the native government could control it.

1949. But it occurred to me that it would be necessary, or might be necessary, to make such arrangements?—I think undoubtedly so. I think the native States would very likely know little about this matter. It would have to be explained to them. I have no doubt anything that was wanted to be done could be made a matter of negociation.

1950. But do you think it is conceivable that it might create some friction and alarm?—I think myself it might. I think it might be very apt to be misunderstood.

1951. (*Sir Reginald Welby.*) Have you any idea that there is any false coinage at all; do you know

at all whether they think in India there are many false rupees?—There is always a certain quantity, but I do not think at present that it is of any moment.

1952. Like our pewter half-crowns?—Yes, quite so.

1953. I suppose you are aware of an argument about that, which applies in England; you have a certain amount of pewter half-crowns which do an enormous amount of mischief, but they are easily detected. But anything at all systematic must be carried on by considerable capital, and that is really the defence against systematic false coinage. That holds good in those countries where the capital is available. It seems almost more difficult to carry it on in India probably than here?—Well, the natives of India in many districts are very clever artificers, and I should think they could provide rude machinery different from what we have in this country for mintage. I think they would manage to manufacture themselves machines to produce a coin that would escape detection, seeing they have this great advantage that they can put the full amount of silver into it; they would not require to sweat it in any way.

1954. (*Chairman.*) And do you think that there would be less readiness in India to detect false coinage amongst the people at large who receive rupees?—As long as you have the necessary amount of silver. A native takes the rupee in his hand, looks at its size, throws it on a stone, and, if it has the proper ring, as your Lordship must have seen, the test is sufficient.

1955. (*Sir Reginald Welby.*) But the temptation to false coinage has probably almost as great an inducement now as has been known in history, and one would think, if the danger were a real one, it would already have become an evil?—In this country you mean.

1956. (*Chairman.*) Do you think that the change would have a serious effect on the opium revenue?—I think that certainly it would have an effect in this way, that Government would have to accept fewer rupees, and that, if they endeavoured to raise the price of opium, it would lead to increased production in China, and to a serious loss of opium revenue.

1957. Do you think that there would be an advantage to China and Tonquin in their competition with India in the supply to gold-using countries of products which both produce?—I think undoubtedly so, for this reason. China and Tonquin, as silver fell, would get more silver, which would go as far locally as hitherto, for the same quantity of produce,—and would thus be able to undersell India in tea, rice, &c., and reduce India's export trade.

1958. Do you think that in India in the past, and, as you anticipate, in China, if that took place, that effect to some extent depends upon the fact that both India and China are undeveloped financially, and therefore that prices do not answer to a change of the currency with the same readiness that they would in smaller western countries?—I think undoubtedly so, your Lordship. I think the difference between such countries as India or China and European countries is unmeasurable. You cannot draw any conclusion wisely from a comparison between what happens in European countries and what happens in oriental countries. The whole habits, conditions, and ways of the people are so different, and are not changing in the least degree among these hundreds of millions.

1959. But, if the cultivator gets the same consideration, there would be no question at all about the fall in the gold value of silver?—There would be no change. He would still continue to pay the same wages and pay the same rents, and things will go on, and they will simply be able, for many generations at any rate, to offer their tea and other products, owing to the fall in silver, at a lower rate compared to India than they were able to do when India and China were both on the same standard.

1960. Do you think it would be serious in its relation to a depreciation in the value of the large amount of silver ornaments owned by the natives?—Well, that, I think, is a point which is exceedingly important, for this reason; hitherto the natives—it is their special form of hoarding—if they have any money saved in rupees, melt them down, turn them into ornaments, and put them on their wives and children; they load them with silver ornaments, but they have always known one thing, that, if a pinch came, they would be able to take those ornaments to the mints and get rupees for them, weight for weight. But, if you fix the rate at 1*s.* 6*d.* with a gold standard, and the value of silver in the open market falls below that, and they wish to sell a few of their ornaments, when they take them to the mints they will get, not weight for weight, but say 20 per cent. less; that would lead to a very wide dissatisfaction. I daresay your Lordship is aware that, during the Bombay and Madras famine, when the people were pinched owing to the loss of their crops, they brought in silver to the mints in very large quantities, in order to get money before they were driven on to the relief works. They first sacrificed their ornaments, and then in many cases they were forced to go on to the relief works. I am not sure of the exact amount, but many millions were brought to the mints in those years by the poor people. It would be equivalent to some millions sterling—I think two or three millions—but I am not sure about the figures.

1961. Do you think there is an objection to placing the coinage of the rupees in the hands of Government, instead of leaving it to the self-adjusting regulations of commerce?—Of course, if you make your rupees a token, you have the same inducement to Government—I do not mean for the moment to insinuate that any finance minister we have ever had, or are likely to have, would do such a thing, but still there is the possibility and temptation to do what South American States have done with paper. Supposing that they found that the revenue was not so much as they expected, they could add to it very largely by buying silver cheap and issuing it in rupees, and depreciating the currency just in the same way as has been done in the Argentine Republic by forced issue of paper, and in Brazil, and in other parts of the world. You have always that danger, if you put it into the hands of Government to use it; and, moreover, there would be the risk of the people losing confidence in the rupee if it was made a token.

1962. Do you think there would be any possibility of its upsetting the balance of trade in favour of India?—I think that quite possible, but it is a very difficult question. You see, to begin with, supposing when you first stopped the coinage of silver and fixed a gold par, you might possibly bring out vast hoards of rupees—I am not now speaking of hoards in ornaments, but hoards of rupees—well, that would have a tendency, of course, to raise prices, by causing redundancy of currency; for some time at any rate there would be that check to exports, unless Government bought up rupees; and, for this, Government would have to borrow in gold. Again, suppose that did not take place, that those rupees did not come out, yet the export trade of India might be adversely affected, firstly in competition with China and eastern silver countries, by India losing the advantage of the falling silver, and secondly by a further fall in gold prices of commodities exported, to which I have already alluded; and then you might, instead of having a balance of trade largely in favour of India, and which now enables you to sell your Council drafts and import a great deal of gold and silver, find the position reversed, and have very great difficulty in disposing of your Council drafts at the par rate. I put that as a possibility; I suppose your Lordship only expects me to do that?

1963. Yes?—To indicate the possibility of danger.

1964. Do you think that it might have a serious effect, if there were a fall in the rupee price of produce, whilst the land tax remained stationary?—Yes, for the reasons which I have already given your Lordship in the early part of the examination, when we went into that pretty fully; and, the land tax being now

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fixed for a long period, widespread discontent might result.

1965. I forget whether we spoke of the Bombay mill industry, but I do not think we touched the question whether that would be prejudicially affected by the change?—That would be prejudicially affected in two ways. The present stable exchange with China would become fluctuating, and there would be inconvenience therefore from fluctuations. The other disturbance that might take place would be that Bombay would have to receive their prices in silver, and, unless they could raise their rupee prices, they would be sufferers. If rupee prices were raised, it would be an advantage to the industrial competitors in silver-standard countries.

1966. The Bombay traders would receive fewer rupees?—Fewer rupees, and they would be sufferers, and, just as in opium, so it might tend to develope the manufacture of cotton goods in China and Japan. Japan has really already by itself developed its trade to such an extent that it almost makes all the yarn it used formerly to take from the Bombay mills. China might follow suit, and it would get an advantage in the event of silver falling.

1967. (*Sir Thomas Farrer.*) I see there is a large quantity of raw cotton exported to China now. I suppose China does manufacture?—China manufactures to a small extent with machinery, and to a large extent with handlooms still.

1968. And gets its cotton from India?—It gets a certain proportion. Of course they grow a quantity of cotton in China, but it is chiefly short staple. Where they want it for manufacture, they import it from India. The China cotton they use chiefly to make into quilts and bed-covers and warm clothing for the winter.

1969. (*Chairman.*) Do you think that it is certain that, under the circumstances of India, you could have a gold standard without a gold currency?—I do not think it is by any means certain that it would work. I think I have heard it described as trying to have a racehorse without legs. I think it might be possible under certain circumstances for Government to establish a gold standard, to regulate the coinage of the rupees, and to maintain a par. I think the thing is possible, but I do not think the illustrations that we have had in the past in France and other European States, or in Java, which I see has been very much to the fore lately, give us any guide to what really would take place in India. India, to begin with, is a debtor country, and must always have a balance of trade largely in her favour to preserve the par. I believe you have had witnesses in regard to Java already before you, so perhaps you might not wish to ask me any questions; but I have obtained some information, if you would care for it.

1970. Certainly we would wish to have that?—Holland and Java had the silver standard up to 1873, and then it became gold at $15\frac{5}{8}$ to one, the mints being open to gold only, but both gold and silver being legal tender both in Java and in Holland.

1971. (*Sir Thomas Farrer.*) Gold and silver both being legal tender?—Both being legal tender in Java and in Holland, and exchangeable; the Java guilder passing in Holland and the Dutch guilder in Java, and the Java ten-guilder piece passing in Holland and in Java.

1972. (*Mr. Courtney.*) There is no such thing as a Java guilder; they are all coined in Holland?—They are all coined in Holland and sent out to Java. The State Bank of Holland holds, against a note issue of 15,000,000*l.*, 3,300,000*l.* in gold and 7,000,000*l.* in silver, and it must keep 40 per cent. of its liabilities in bullion; the exchange is kept at par on the credit of the mother-country. The Bank in Holland has a power, when necessary, to issue notes without any bullion backing. So has the Bank in Java. The natives of Java take these notes; they circulate freely, whereas the people of India will not have notes; from currency statistics, you will see there are only 16 crores of paper money circulating in India.

1973. (*Chairman.*) The amount has risen very much?—From 13 to 16 in the last 10 years, ending 1890.

1974. Yes, but from 16 to 26 in the last two years; the rise has been very great?—Has it been very great? I have only got the figures in the Blue book up to 1890.

1975. It has been as high as 28 crores?—Then that would modify slightly my point; but it is, nevertheless, still a small percentage, if you consider the immense amount of silver circulating in the country. It would be very difficult to estimate it. It has been variously estimated at from 250 to 300 millions sterling; so then 25,000,000 would be a small percentage. Well, in 1873, when the change was made, Java began by passing through a very difficult time, because she had not the advantage that India had from the fall in the rupee. She had to accept the low gold prices and get no compensation, and her trade very much languished, and her planting and agricultural interests were almost ruined, and the Dutch Government had a series of deficits; but in 1885 to some extent a revival set in—things must have readjusted themselves—and I see that the imports and exports, which were from 1881 to 1885 equal to 143,000,000*l.*, were from 1886 to 1890 137,000,000*l.*; although not a great falling off, it is a falling off, and compares unfavourably with the steady great increase in India. I see that the deficits of the Java Budget in 1881 to 1885 were 3,200,000*l.* They had surpluses from 1886 to 1890 of 2,700,000*l.*, so that in latter years they seem to have improved, not to an extent that might be called prosperity, and certainly not to be compared in any degree to the prosperity which is observable in India during the same period.

1976. (*Mr. Courtney.*) The Acheen War has been a great trouble to their finances?—It has cost them a good deal of money.

1977. (*Chairman.*) And there has not been the same development of railways?—They have only 800 miles of railways. But the island is small and hilly, and much intersected by waterways round the coast. Java collects its revenue in a very different way from India. It has import duties, preferential duties—that is, Holland gets a preference over other countries—it has a monopoly of products, that is to say, it fixes the price which it pays for certain products to the native cultivators. It takes those products and sells them by auction at the ports on account of the Government; there is really no point of similarity between the circumstances of India and Java.

1978. You have spoken of the great increase in the trade of India; it has been suggested that, although great, it is not properly to be so regarded, when you consider that during these last 20 years there has been the great development of railways and the opening of the Suez Canal, or the large use at all events of the Suez Canal which has rendered the wheat trade for the first time possible?—Of course I know that argument is very often used, but yet it is rather a nebulous argument; it is not one that you can easily meet; it is very difficult to say to what extent this prosperity is owing to other circumstances, and to what extent it would have taken place merely owing to railways, unless you go back to what I stated to your lordship in the earlier part of my evidence, and that is that, if we had had a fixed rupee at 1*s.* 11*d.*, the whole agricultural interest of India would have been depressed, and there would have been no need of railways, for producers would not have been able profitably to move their products to the coast. You could not have the wheat trade without the Suez Canal and railways, but you might have had the canal and railways without the wheat trade, unless after a re-adjustment of wages and rents.

1979. (*Sir Thomas Farrer.*) Is not that just as speculative as any of the other causes?—Except that we have the absolute fall in gold prices.

1980. I mean, we have certain facts and we have certain phenomena and the alteration in exchange, and we have the Suez Canal, and we have the railways;

have you any reason for attributing the prosperity or the want of prosperity of India to that one cause more than the other?—Only to this extent; I think that here in this country the effect upon the agricultural interest of the fall in the gold prices has been quite remarkable.

1981. Has the fall in the gold prices arisen from anything in the standard or in the exchange?—No, simply the fact that the gold prices have fallen, and that India has been saved from that fall by the fall in silver, and by now getting the same silver prices, the silver rupee in India going as far as ever it did.

1982. *Has the fall in silver saved India from competition? What has ruined the British farmer is the competition with the United States, with Russia, with India, is it not?*—Quite so.

1983. Well, are not the same causes probably the most efficient causes in India, and not exchange? I gather from what you told me before, that you do not think that it is anything that has happened to gold that has ruined the British farmer, but competition with other countries?—I would not like to go quite so far as that; gold may be a factor to some small extent, but I think the important factors are outside of gold.

1984. Then is it not probable, that in India all the important factors are outside currency and exchange?—Not in regard to foreign trade, where it has to sell its surplus products at gold prices. It would, if it had a gold standard, have to accept the gold prices; instead of getting 16 rupees, it would get 10 rupees; it gets 16 rupees now, which go as far in India in buying commodities as they did 15 years ago.

1985. But, supposing it had 10 rupees instead of 16, and those 10 rupees had gone as far as the 16 do now?—That would alter the case.

1986. (*Chairman.*) But they would only have been made to go as far, by a process of adjustment which goes over a long period and creates an amount of friction?—Which might have made the Government bankrupt, in the meantime, being the landed proprietor of India, and drawing a revenue from land of over 20,000,000*l.*

1986*a*. *What is your opinion, generally, as to a change of standard?—Looking to the prosperity of India during the fall from 1s. 11d. to 1s. 3d., and believing that a further fall would show continued prosperity, I think that it would be better to face increased taxation, with little danger of political discontent, than to make a change of standard that may seriously interfere with India's economic development, and may give rise to grave and widespread political difficulties. If America stops her silver purchases, the further fall in silver may be severe; but it will land us at last at bottom silver prices, which will lead to reduction of silver production, to an end of violent exchange fluctuations, and to a subsequent slow and gradual recovery. If it were thought that silver could be produced at a shilling an ounce, it would be different; but recent evidence points to the fact that we have touched, if not gone below, a price at which the present quantity can be profitably produced.*

The witness withdrew.

MR. THOMAS JACKSON, Manager of the Hong Kong and Shanghai Bank, called in and examined.

1987. (*Chairman.*) Mr. Jackson, you have been connected with trade with China for the last 28 years?—Yes, my Lord.

1988. For 15 years you were chief manager of the Hong Kong and Shanghai Banking Corporation?—Yes, my Lord.

1989. Was that at Hong Kong?—At Hong Kong, yes.

1990. And you are now manager of the Bank in London?—Yes.

1991. What do you think would be the effect of establishing, as has been proposed, a gold currency for India, and closing the Indian mints to the free coinage of silver?—Well, the first effect would be a serious fall in the price of silver. It would be brought about in this way; undoubtedly the United States would cease coining 54,000,000 of ounces a year, as they do at present, and there would be, say, about 8,000,000*l.* worth of silver available extra; and I do not know what would be done with it, because apparently the present supply of silver, not including those 8,000,000*l.*, is as much as the silver-using countries want.

1992. What would be its effect upon Indian trade with China and Japan and the Straits Settlements, do you think?—Its effect upon the Indian trade with China, Japan, and the Straits Settlements, would be that, instead of the lowest level of rupees, say that of Hong Kong, being 221, that is to say, if we shipped 100 dollars from Hong Kong to India, we should get an outturn of 221 rupees, in future, the rate between China and India would be governed by the rate at which the rupee would be fixed out in India in sterling, and the rate to which silver might fall.

1993. Supposing the rate were fixed at 1*s.* 6*d.*?—Supposing the rate fixed at 1*s.* 6*d.*, well, then it would depend upon what rate the silver would go down to. I cannot tell you; it might go down to a shilling for the rupee, and a shilling for the rupee would be 33⅓ per cent. on an exchange of 1*s.* 6*d.*

1994. Do you think that that would affect the amount of trade between India, China, and the other silver countries of the East?—Oh, yes, that is absolutely certain; it is not a question to think about at all, it is absolutely certain.

1995. What would be its effect upon the spinning mills of Bombay, do you think?—I mentioned in my letter that I think it would be absolute ruin to them, because the particular kind of staple that they use there is a coarse one suitable for the Eastern markets, and I do not know any other market for it.

1996. Why do you think that it would be ruin; that China would not be able to pay the price that they would require, making their cottons as before in India?—They would not be able to do so. If Indian yarn were handicapped to the extent of 20 per cent. or upwards, it would cease to be exported to China altogether. At present there is a very serious movement on foot in Japan and China to erect their own spinning mills, and, as I mentioned in my memorandum, it is only quite recently that we bought bills against American cotton shipped from Liverpool to Japan to be spun into cotton-yarn there by their own mills, so that, even with the present low exchange, or an exchange of 1*s.* 3*d.*, American cotton can compete with Indian in the yarn markets, the staple is so much better and so much longer. Well, then, if you handicap Indian cotton by 20 per cent.—some say 30 or 40, as it might be—I think it would not be exported at all.

1997. You think that Japan would have an impetus given to its cotton-spinning industries which would enable the spinners so to compete as to drive the Indian produce out of the country?—Yes, my Lord, that is exactly my meaning.

1998. Would you explain what you mean by the handicapping; how would it operate?—It would operate in this way, that it would increase the price of the Indian goods in foreign markets by, say, 20 to 40 per cent., or whatever the difference in exchange might be between a protected rupee and an unprotected dollar.

1999. It would increase the silver price?—Yes; for instance, at present, as I said just now, 221 rupees for 100 dollars is bullion value. We will say you send goods to China; you can buy a bill for 221

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rupees there for 100 dollars. If China exchange were 20 per cent. lower than Indian, that would be about 45 rupees off the said rate of 221,—say, net 176 rupees. You would only get that amount for your 100 dollars, instead of what you are getting at present as a minimum, say 221 rupees.

2000. For your 100 dollars sent from China to India?—Yes; instead of getting 221 rupees, you would get very much less, as I have explained.

2001. (*Mr. Courtney.*) Then the question is, would these 176 rupees go as far in India as the 221 do now, if you are going to brace up the rupee to an added value?—I think not; I do not think the purchasing power of the rupee in India has fallen at all. I think the rupee there is the rupee still; it is their standard of value.

2002. (*Sir Thomas Farrer.*) Are you not going to raise the purchasing value of the rupee?—I do not think you can do it.

2003. (*Mr. Courtney.*) But you are going to do it, supposing the changed ratio is adopted in relation to gold?—I do not think it would have any effect; I think the purchasing power of the Mexican dollar in China now is the same as when I went to China, when it was about 4*s.* 10*d.*, the present exchange being 2*s.* 9*d.*

2004. (*Chairman.*) And if you were to adopt a nominal gold standard, and say the Mexican dollar should bear such and such a relation to it, which would be a higher one than the silver value, you think that the Mexican dollar would only buy as much as it did before?—I think so. In China they look upon gold as a commodity exclusively.

2005. (*Sir Thomas Farrer.*) Then you do not think it would be possible, by adopting this gold standard, to raise the purchasing value of the rupee?—I do not think so.

2006. (*Mr. Courtney.*) In that case why should you make 176 rupees equal to 100 dollars?—That would be the equivalent of a fall of 20 per cent. between India and China; it would handicap the Indian export trade to the extent of such difference in the rate of exchange.

2007. You do raise the value of the rupee in silver?—I am talking about the purchasing power of the silver in the respective countries. A rupee will purchase as much in India with its present value of 1*s.* 3*d.* as it did when it was 2*s.*, and similarly a dollar in China.

2008. (*Chairman.*) Unless the Bombay spinner could pay less wages because the rupee had been fixed at this higher ratio, and pay less in respect of all his expenses, he could not carry on his trade as profitably as he does now?—No, I do not think he could carry it on at all.

2009. (*Sir Thomas Farrer.*) Do you think, if you contracted the currency and adopted the gold standard, it would alter the value of the rupee with respect to the English sterling pound, or not?—Oh, if you had a gold standard, of course you could force the exchange value of the rupee to whatever rate you might fix upon.

2010. Then the exchange with England would be altered so as to make the rupee stable?—Yes, it would. The only example that I know of a country adopting a gold currency, as some people are talking about India doing now, was Japan. At one time there was a very energetic American minister there, and he wished to have everything conformed to the model of the United States, so they departed from silver and worked a gold currency. We very soon shipped almost all their gold to Europe, and they had to go back to silver currency. Similarly the people in the East do not look upon coin as a token. They look upon 100 dollars as so many taels and so many mace and so many candareens of silver of a certain fineness, and in India I think they do the same; and, if a gold currency were established in India, I think it would be possible for us or for other people situated as we are, either from China or England to send out silver, sell it in the bazaar, and get the gold that you might have coined there, and send it back to England. That was the experience in Japan decidedly.

2011. (*Mr. Courtney.*) What became of the silver so sold in Japan, did it get coined?—Yes, they had it coined into yen.

2012. Yes; but, according to this proposal, the silver that you send to India would not be coined, because the mints would be closed?—The mints would be closed, but there is an open market for silver just now in India. We send a lot of silver to India. A very large proportion of that never goes into the mints at all; it is sold as silver to the natives, and that would continue to be the case; they would continue to import silver.

2013. Under the present conditions the equality between pure silver and rupees is established?—Yes, but under the proposed conditions that would not be so.

2014. (*Sir Thomas Farrer.*) I think in Japan, if I remember right, we and other nations entered into a treaty by which the Japanese were obliged to give gold for silver at a certain fixed rate, that being very much below the value of the gold?—Oh, that is a long time ago; that is old history, ancient history. I was in Japan at a time when we could buy gold three or four per cent. under its actual value.

2015. (*Mr. Courtney.*) The coinage of silver being at that time free?—No, the coinage of silver in Japan was not free at that time.

2016. The silver you gave in exchange was accepted and coined?—It was, yes, Mexican dollars.

2017. Practically it was free?—Mexican dollars; well, yes, from your point of view free, because we could import as many Mexican dollars as we chose.

2018. (*Chairman.*) You have told us the effect that you think it would have on the trade between India and the silver-using countries of the East; do you think that the trade of England with China and the Straits Settlements and Japan would be prejudicially affected?—I may say it would, because, although I myself have a good deal to do with silver and exchange, I could not form any idea of what silver would go to. If the Americans simply said, "We will have nothing "to do with silver, we will retaliate and see to ourselves," and threw six to eight millions a year on the market, I do not know what the price of silver would go to. If I were a merchant, it would paralyse my efforts in the meantime. I think ultimately it would conduce to the benefit of China, inasmuch as I think her trade would double in ten years.

2019. (*Sir Thomas Farrer.*) From depreciating coinage?—It would not be the depreciation of her coinage.

2020. Or rather from our depreciating her coinage?—Our appreciating our own coinage.

2021. Appreciating our own?—We have nothing to do with their coinage.

2022. (*Mr. Courtney.*) But the effect would be to depreciate what is their coinage, because they have no coinage of their own; that is your point of view, that the effect of the step we took would be to depreciate silver?—Yes.

2023. And silver is their coinage?—And silver is their currency, yes, in the north of China taels and decimal fractional parts, and Mexican dollars in the South.

2024. (*Chairman.*) That is to say, it would depreciate silver in relation to gold?—That would be the effect.

2025. (*Sir Thomas Farrer.*) And that would improve the trade of China?—Ultimately decidedly, but in the meantime it would paralyse it. I do not know how people could make shipments of goods out from England under such uncertain conditions.

2026. (*Chairman.*) Do you think that the rice from Burmah would compete less successfully with other rice, if this were done?—It would be handicapped to the extent of the difference in exchange, the exchange of Burmah as compared with that of Cochin China, Siam, or any other silver-using countries which export rice.

2027. And, in the same way, you think the Indian tea trade would suffer in its competition with China?—I am sure it would. It is now just holding its own; I do not think it is doing much more; and, under the altered conditions, the Indian tea trade would be seriously jeopardized.

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The witness withdrew.

Adjourned till Saturday next December 3rd at 11 a.m.

At the House of Lords, Westminster, S.W.

EIGHTH DAY.

Saturday, 3rd December 1892.

PRESENT:

THE RIGHT HON. LORD HERSCHELL, THE LORD HIGH CHANCELLOR, THE CHAIRMAN, PRESIDING.

THE RIGHT HON. LEONARD HENRY COURTNEY, M.P.
SIR THOMAS HENRY FARRER, BART.
SIR REGINALD EARLE WELBY, G.C.B.
MR. ARTHUR GODLEY, C.B.

MR. HENRY WATERFIELD, C.B., *Secretary.*

MR. ROBERT GIFFEN, C.B., called in and examined.

Mr. R. Giffen, C.B.
3 Dec. 1892.

2028. (*Chairman.*) You are prepared to give the committee evidence, Mr. Giffen, with regard to the state of the currency in the United States?—Yes, in continuance of the answers to the questions that you sent me a little time ago; it occurred to me that points might arise upon these answers as to which you would wish information.

2029. In the United States gold coins are unlimited tender?—That is so; the thing is done in the United States by legislation, which has since become the subject of a good deal of talk. In 1873 and 1874, in view of the resumption of specie payments, the United States at that time decided to go over formally to the single gold standard. Practically they had had the single gold standard since 1835 or thereabouts—but legally they were bimetallic. Then during the war the standard became inconvertible paper; and what was decided on in 1873 was to resume specie payments legally and formally in the single gold standard.

2030. (*Mr. Courtney.*) How was it practically a gold standard?—Because the gold was over-valued in the ratio 16 to 1, and gold was practically the current money and principal money of the country. That is well known; but legally the silver coins might be coined, and were unlimited legal tender.

2031. (*Chairman.*) Was there free coinage of silver as well as of gold at that time?—Free coinage of silver as well as gold down to 1873; but of course from 1862, during the war, the standard was inconvertible paper, and they had no coin of any kind for some years.

2032. (*Mr. Courtney.*) Yes, but from 1835 to 1862, that is the critical period when there was no inconvertible paper, the standard was practically a gold one?—It was practically gold from 1835 downwards. Down to 1835, when the ratio was 15 to 1, the standard had been practically silver; and then a change took place, the ratio of 16 to 1 being adopted, which gave the country a gold standard.

2033. The real circulation of the States at that time was paper, no doubt, was it not?—The real circulation of the States, no doubt, would be largely paper, but legally the obligations were payable in gold and silver coin; and so much was that the case that about 1850, at the time of the gold discoveries, the United States people had become destitute of silver money under the bi-metallic arrangement, and they passed a law for fractional silver money, that is to say, on the mono-metallic principle, to give them the silver coin in daily circulation that they actually wanted.

2034. (*Chairman.*) Was 16 to 1 much above the gold value of silver?—Not much, about three per cent. perhaps; two per cent. to three per cent. But that was the effect of it, that, in order to get the silver money that they required in daily business, they had to resort to the system of token money, which they had not had till then apparently.

2035. Was the production of silver great in America at that time?—No; the great production of silver came after that time. There was production in Mexico, but I do not think there was anything very material in the United States till after the discoveries of a later date.

2036. I suppose, if there had been considerable production in the United States, that might have made some difference; because, if there were only that small divergence between the gold price of silver and the ratio, the convenience of being able to mint it there instead of exporting it elsewhere might have been sufficient to keep the silver?—I do not know, I am not quite sure about that. It might have been easy to mint the silver; but, as you can carry silver and gold to a great distance for a very small charge, perhaps a quarter or a half per cent. *ad valorem*, it might gave gone all the same. The difference which enabled it to go was small.

2037. (*Mr. Courtney.*) The over-valuation was just the difference between 16 to 1 and 15½ to 1?—I am not quite sure. I think the practical valuation in

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France between 1850 and 1860 rose to a ratio of 15·40 or 15·30 to 1, while before 1850 it was usually 15·60 or 15·80, rather than the exact $15\frac{1}{2}$ to 1.

2038. Well, that was the over-valuation?—There is an interesting point about that. The exact bimetallic ratio established in France according to law was $15\frac{1}{2}$ to 1; but the exact point at which the two metals would be indifferently coined was rather 15·6 to 1 than $15\frac{1}{2}$ to 1, the mint charge being different on the two metals. In any case, at 16 to 1 the United States had gold, but had not silver. Well, in view of the resumption of specie payments they passed an Act in 1872–73—you will find it at pp. 241–242 of this book which I have before me—the Laws of the United States relating to currency, finance, and banking, from 1789 to 1891, compiled by Professor Dunbar, who is a distinguished economist in America. By this Act the gold coins were defined exactly, and it was enacted, "which coins shall be a legal tender in "all payments at their nominal value when not below "the standard weight and limit of tolerance provided "in this Act for the single piece," and so on. And by the same Act the legal tender of the silver coins of the dollar, the half dollar, and the 50-cent piece, was reduced to five dollars in any one payment; and that has been objected to by the bimetallic people in the United States ever since as a thing that was done *sub rosâ* on the part of the monometallists.

2039. (*Chairman.*) Is that the fractional currency?—This is the fractional currency of silver. A fractional currency of copper is also provided for by the Act.

2040–41. Is not the silver dollar now an unlimited tender?—Under a subsequent Act it is, but this is the general Act; and this has been objected to by the bimetallic people in the United States ever since as a thing that was done *sub rosâ*, without sufficient notice and discussion. I may say that, so far from this being done *sub rosâ*, I was one of the people at the time who knew about it, and there was really no mystery about it. It was openly discussed in the *Economist* at that time, and Senator Sherman of the United States has stated frequently the ample notice that was really given; but still that is one of the things that has been a good deal talked about, that the limitation of the legal tender of silver coins by this Act was done *sub rosâ*.

2042. Then was the free coinage of silver stopped at that time?—There was practically no coinage going on at all at that time. This was at the time of the inconvertible paper money; but it was in view of the resumption of specie payments, that Senator Sherman and these people—the authorities of the United States—at that time thought they would put the money on a proper standard and footing, and that was the arrangement they made.

2043. But before the war there had been free coinage of silver?—There had been free coinage of silver.

2044. Well, was that altered by statute at all, or was it merely that they had ceased to coin?—It was altered by this consolidated statute I am speaking of, that is to say, the privilege of free coinage of silver and the unlimited legal tender of it were taken away; legal tender was taken away by this Act; it had been legal tender up to any amount before.

2045. Was free coinage taken away by that Act too?—Free coinage was not ostensibly taken away, but I think in fact it was, because there is some provision about the coinage in regard to silver bullion different from gold bullion. I can hardly go into it and explain it in detail, without looking up exactly what was done; but the free coinage of gold does not depend upon this Act, I believe, but upon the earlier Act of 1852–53.

2046. The provisions with regard to the free coinage of silver are to be found in that same Act?—I may say that, with regard to the free coinage of silver, there is a section 21 in this Act of 1872–73 which is to this effect: "That any owner of silver bullion may deposit "the same at any mint, to be formed into bars or into "dollars of the weight of 420 grains troy, designated "in this Act as 'trade dollars,' and no deposit of "silver for other coinage shall be received."

2047. Then that still continued the free coinage of dollars?—Of the trade dollar, but that was not a thing which entered into the monetary system of the United States. The 420 grains was a totally different ratio from 16 to 1, and in point of fact nothing ever came of the coinage of trade dollars.

2048. (*Sir Reginald Welby.*) It was solely meant for the colonies, was it not?—For general trade, like the Mexican trade.

2049. They wanted it for Hong Kong?—It would have some effect; it would be of some use in that way.

2050. (*Chairman.*) The next step was the Bland Act of 1878, which made silver dollars unlimited tender?—Yes; the Bland Act of 1877–78—the exact date of it is February 28th, 1878—"There shall be "coined at the several mints of the United States "silver dollars of the weight of $412\frac{1}{2}$ grains troy"——

2051. That is 16 to 1, is it not?—That is 16 to 1—"of standard silver, as provided in the Act of "January 18th, 1837, on which shall be the devices "and superscriptions provided by said Act, which "coins, together with all silver dollars heretofore "coined by the United States of like weight and "fineness, shall be a legal tender, at their nominal "value, for all debts and dues, public and private, "except where otherwise expressly stipulated in the "contract. And the Secretary of the Treasury is "authorised and directed to purchase, from time to "time, silver bullion, at the market price thereof, "not less than two million dollars worth per month, "nor more than four million dollars worth per month, "and cause the same to be coined monthly, as fast as "so purchased, into such dollars." That is to say, that the free coinage of these Bland dollars was not permitted, that they were to be coined by the Treasury.

2052. And only to that limited amount?—To that limited amount, and in point of fact it was the lowest limit which was always coined. The two million dollars was the lowest limit, and that was what was coined; the two million dollars worth of bullion purchased. The nominal value of the coinage was more than two million dollars, because the coining value was more than the purchase value. Before we pass from that, I think I should mention that, by the Act of 1873 that I have given you regarding the gold coinage, a seignorage was allowed to be charged on the coinage of gold; but this was abolished in the following year. The passage is at page 214 of this book of Dunbar:—"That so much of section three thousand five hundred "and twenty-four of the Revised Statutes of the United "States as provides for a charge of one-fifth of one "per centum for converting standard gold bullion "into coin is hereby repealed, and hereafter no charge "shall be made for that service."

2053. Then, in addition to the gold coinage and the silver coinage under the Bland Act, there were in circulation what were known as greenbacks?—The greenbacks came into circulation during the war under Acts passed in 1862 and afterwards, and I think I can give you the legal tender clause regarding these greenbacks. The legal tender clause is at page 164. In the first legal tender Act it is enacted, "such notes "herein authorised shall be receivable in payment of "all taxes, internal duties, excises, debts, and demands "of every kind due to the United States of every kind "whatsoever, except for interest upon bonds and "notes, which shall be paid in coin, and shall also be "lawful money and a legal tender in payment of all "debts, public and private, within the United States, "except duties on imports and interest as aforesaid." This exception as regards duties on imports was connected with the issues of bonds during the American war. To make the bonds float, it was thought necessary to provide that the interest should be paid in gold; and then the United States, to enable them to have the money to pay the interest in gold,

provided that the duties upon imports were to be levied in gold.

2054. Has that been altered since?—This has been altered, I believe, legally; but, on the resumption of specie payments, the provision became of no consequence, because all the paper has been payable in gold since then.

2055. The greenbacks?—The greenbacks. I may say that I thought it might be of interest that I should have a specimen of each kind of paper money of the United States when I was being examined to-day; and the greenback is a bit of paper which contains a general promise of the United States to pay so many dollars as they bear upon the face of them. The greenback I have here is for one dollar, and the promise is, "The United States will pay the bearer one dollar"; but it is not expressed to be payable on demand, and it is assumed to be payable in coin. The meaning of "dollar" is a coin of that description.

2056. Was there any limit of amount, or might greenbacks be issued of any denomination?—The denominations were prescribed in the Act.

2057. Did they issue dollars?—They went as low. The greenback I have here is for one dollar; but the total quantity to be issued was always strictly limited in the Acts. The Act gave the Treasury power to issue. The first legal tender Act was, I think, for 150,000,000 dollars. Then that was doubled, and then the amount was increased by other Acts. Always a limitation of the amount.

2058. But not of the denomination?—The denominations were specified.

2059. (*Mr Courtney.*) There is an indorsement on the note of the conditions under which it is receivable—an extract from the Act?—That is so.

2060. (*Chairman.*) You have said in your answer to the first question that practically little silver circulates in the United States. That circulates as small change; you are speaking there of the actual metallic coin?—Of the actual metallic coin.

2061. As distinguished from such circulation as there may be by means of what is representative of the coin?—I do not admit that you circulate a coin by giving a bit of paper for it. It is the paper that circulates, and a great deal turns upon the distinction; I believe that it is not the same thing to circulate coin, and to circulate paper representatives of coin.

2062. (*Mr. Courtney.*) Even though the coin is kept?—Even though the coin is kept, it has different consequences of different kinds, when you circulate paper and not the coin itself; and I do not think the two kinds of circulation can be spoken of as the same thing.

2063. (*Chairman.*) But then would you say the same about gold, that a note which was representative of so much gold ought not to be treated as the circulation of the gold?—That is my view. You would probably find, as a matter of fact, that the quantity of paper nominal value that would circulate would be different from the quantity of gold that would circulate. You cannot assume that, if you deposit a bit of gold or a bit of silver in the Treasury, and issue a bit of paper against it, the paper would circulate the same amount of gold as would have circulated if the gold itself had been in circulation.

2064. Would it circulate less or more?—That one cannot tell. It would circulate differently; in some circumstances it would be more, in other circumstances it would be less. There is absolutely no reason to believe that the two things would be identical.

2065. (*Mr. Courtney.*) Though the paper is divided in precisely the same way as the gold might be?—Yes, it is a question of convenience, and of what people will do.

2066. (*Chairman.*) In the United States the use of paper money as distinguished from the metallic currency is a matter of habit rather, is it not, in different parts of the United States?—It is everywhere very largely a matter of habit.

2067. In the Eastern States very little coin is to be seen; in the Western States chiefly coin?—That I am not sure of, I have not sufficient experience of the Western States; but I doubt that very much. You do not see very much coin anywhere.

2068. (*Mr. Courtney.*) If you take California for instance?—California is a special case, but it is only a part of the West. With regard to this point of the same amount of paper circulating, I think it would be found that in the case of a bank, if people were entitled to go to a bank, and in demand for their deposits obtain certificates for large amounts, say, a silver certificate or a gold certificate, they would be able to absorb, and would absorb, or try to absorb, an immense quantity of paper of that kind, when it would be quite impossible for them to take the bullion itself.

2069. (*Chairman.*) You mean they might in effect hoard more easily?—In effect hoard, and I may say there is a curious provision in one of the Acts which I have here before me with reference to the gold certificates of the United States, which we shall come to afterwards. Arrangements are made in the United States by which on the deposit of gold coin you can get a gold certificate. And the assumption upon which that was done apparently was that no paper above a certain sum would be issued except against bullion. That was the idea in it, but it was found expedient to provide that, if the reserve specially provided against the greenbacks on resuming specie payments—100,000,000 dollars—should be intrenched upon, if the gold should fall below that point, no more gold certificates were to be issued; because it is quite obvious that, if an alarm had arisen, and people were entitled to get certificates they would have been able to go to the Treasury with the greenbacks or any other paper that they had, get the gold, re-deposit it, and get gold certificates which were ear-marked, and then the United States would be bankrupt. To prevent that, as far as I can judge, they have enacted that, when that specie reserve gets down to 100,000,000 dollars, no more gold certificates are to be issued.

2070. Except so far as paper money may be hoarded where the metal would not, and in that way not be in circulation, would there be any difference, as currency, between the paper that represented the metal and the metal itself?—I am not sure; I rather think there would be more differences than that. For instance, it would be much more convenient to carry paper about than to carry gold about. If you are going to a market or a fair, you could take 2,000*l.* or 3,000*l.* in paper quite easily with you, and you could not take the gold. Much less could you take silver.

2071. Well, that is to say, you would have to make use of some banking facility?—No doubt. That shows that the paper representative of bullion in different circumstances might be much more than what bullion would be if used itself, that you cannot reason exactly from the one to the other at all.

2072. That would only affect the amount that would be current, would it not; what was current would have precisely the same effect by means of such a circulation as the metal which it represented?—The paper would always be the equal of the meta which it represented, undoubtedly; but I am speaking of the quantity of the metal that you would have to use; to lock up in the one case, and to circulate in the other. The amounts might not be the same.

2073. (*Mr. Courtney.*) Both your suggestions point to a larger quantity of paper than of gold?—I am rather inclined to think so. At this moment in the United States, if you were to abolish the small denominations of paper which you have, so as to compel the silver to circulate, I think you would find that the circulation would be done by a smaller amount of silver than what there is of the paper that represents it.

2074. People would take trouble to save carrying about silver?—Yes. There is a waste of silver in one sense by the present arrangement.

2075. Can you suggest any conditions under which the substitution of paper for gold would produce a less

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quantity?—The fact that in one sense the paper is more agile—goes about better—would tend to diminish the quantity; that you can carry it about so much more easily.

2076. (*Chairman.*) And transmit it to a distance more easily?—It would tend to diminish the quantity, the nominal quantity, yes.

2077. (*Mr. Courtney.*) How so?—You see there are contradictory effects which are difficult to follow.

2078. I have got hold of the conditions under which there would be more; I do not appreciate the condition under which it would be less?—The condition under which it would be less would be this: supposing you were to carry about gold, and still more silver, from point to point in the city in settlement of transactions, you would require porters to carry it and clerks with them, and there would be a great deal of trouble in counting—things of that kind,—whereas with paper you could do the business very quickly and do twenty transactions, where probably the actual gold itself could only do ten or something of that kind.

2079. (*Chairman.*) That is to say, the paper which represents the gold would do during the same time many more transactions than the gold itself, and, therefore, so far it would tend to be an economy?—That is my idea, but there are so many points to be considered that you cannot reason from the amount of the one to the amount of the other.

2080. As regards hoarding, that would be a good deal a matter of habit; have you any reason to suppose there is much hoarding in the United States?—I do not think exactly hoarding; but, where you have people so much scattered as there are in the United States, no doubt you will have small sums of money in the hands of people who have a long distance to go to banks and shops; whether you call it hoarding or not is a different thing.

2081. But, unless the replacement of the money, of the actual coin, tended to create banking facilities which would not otherwise exist in those parts of the United States, would it not be an economy of the coin to have the paper?—It would be, undoubtedly, if the coin were not all locked up against the paper; it would have that tendency, and as a matter of fact I do know that in country parts of Scotland the 1*l.* notes are what you may call hoarded as much as any other form of money.

2082. (*Sir Reginald Welby.*) As a reserve rather?—As a reserve, and practically the keeping for payments that you may have to make, when it is not convenient for you to go to the bank to get the money to make payments, and you keep it by you in view of somebody coming next week or perhaps next fortnight.

2083. (*Chairman.*) Then, to pursue the consideration of the different forms of what may be called money, in the United States; you mentioned the gold certificates?—I should like to explain what the gold certificate is, and that is under section 12 of the Act of 1881–82, with reference to the national bank associations. In this Act you have this clause with reference to the gold certificates, page 223 of Professor Dunbar's book, "the Secretary of the "Treasury is authorised and directed to receive "deposits of gold with the Treasurer or assistant "treasurers of the United States, in sums not less "than twenty dollars, and to issue certificates there-"for in denominations of not less than twenty dollars "each, corresponding with the denominations of "United States notes. The coin deposited for or "representing the certificates of deposits shall be "retained in the Treasury for the payment of the "same on demand. Said certificates shall be receivable "for customs, taxes, and all public dues, and when so "received may be re-issued; and such certificates, as "also silver certificates, when held by any national "banking association, shall be counted as part of its "lawful reserve; and no national banking association "shall be a member of any clearing-house in which "such certificates shall not be receivable in the settle-"ment of clearing-house balances." Then comes the proviso to which I referred a little time ago: "Pro-"vided that the Secretary of the Treasury shall sus-"pend the issue of such gold certificates whenever the "amount of gold coin and gold bullion in the Treasury "reserved for the redemption of United States notes "falls below one hundred millions of dollars." The gold certificate, I may say, bears the legend: "There "have been deposited in the Treasury of the Unite "States"—this is a note for 100 dollars—"100 dollars "in gold coin repayable to the bearer on demand."

2084. Those do pass current very much like bank notes?—They pass current actually as bank notes, and they are used for large business; and the interesting point, I think, is that the deposit is really earmarked; that the Treasury has no power to deal with it at all; that it is considered to be the property of the individual who has deposited it with the United States.

2085. (*Sir Reginald Welby.*) You said the greenback is not payable on demand on the face of it?—The greenback is not payable on demand. I have not come to that; but I was coming to that—it is not expressed to be payable on demand.

2086. (*Chairman.*) If it is not payable on demand——?—I mean it is not expressed to be payable on demand.

2087. It is, in fact, because I understood you to say that, but for the provision with regard to the gold certificates, the gold might have been obtained for the greenbacks, and then gold certificates might have been obtained, and the reserve against the greenbacks would have fallen below the legal amount?—The Act for resuming specie payments directed the Treasurer of the United States to pay the greenbacks on demand; but it is not so expressed on the face of the note, and the notes when first issued were not in fact paid on demand,—otherwise they would have been convertible, instead of being inconvertible.

2088. Then you were saying that they are payable on demand now?—They are payable on demand now, but this is not expressed on the face of them.

2089. (*Sir Reginald Welby.*) I thought you said the people would go and get gold for the greenbacks, and there would be power on the part of the Treasury to refuse?—It would be with regard to the silver certificates and the Treasury notes that that would arise.

2090. Which they are not obliged to pay in gold?—Which they are not obliged to pay in gold.

2091. (*Chairman.*) Then we come next to the silver certificates?—The silver certificates are under a clause very like what I have read to you for the gold certificates. The clause is in what is known as the Bland Act, which authorised the issue of the silver dollars. "Any holder of the coin"—page 248 of Professor Dunbar's book—"authorised by this Act "may deposit the same with the Treasurer or any "assistant treasurer of the United States, in sums "not less than ten dollars, and receive therefor "certificates of not less than ten dollars each, cor-"responding with the denomination of the United "States notes. The coin deposited for or represent-"ing the certificates shall be retained in the Treasury "for the payment of the same on demand. Such "certificates shall be receivable for customs, taxes, "and all public dues, and, when so received, may be "re-issued." I think that the point to be noticed here is that both the gold and silver certificates are not made legal tender. They are to be receivable for public dues, and there are provisions with reference to gold, and afterwards the same were applied to silver, that the bankers' clearing-house associations are to take them, and things of that kind; but they are not generally made lawful money and legal tender, as is done with the greenbacks.

2092. But, inasmuch as the silver dollar that the silver certificate represents is legal tender, practically speaking, I suppose they are taken as freely as if they

were silver?—Things which are equal to the same thing are equal to one another, of course. But this refers to a great deal of discussion that has gone on in the United States with reference to legal tender. I believe it was considered at the time that this Act with reference to silver certificates was passed, that there really was no constitutional power to make them lawful money. That has been reversed since, I believe, and now you have Treasury notes issued which are made legal tender; but that shows the peculiar monetary history of the United States, and their changing opinions with reference to these questions.

2093. Treasury notes are under a recent Act?—Under a very recent Act; we shall come to that.

2094. There is one other thing before we come to that—are the silver certificates issued against the deposit of coin, and not bullion?—Not bullion, the deposit of coin. Gold certificates are issued against gold coin also.

2095. Come now to the Treasury notes; what is their position?—The Treasury notes are under the Act of 1890, which we have all heard a good deal about I daresay, passed two years ago, pages 251 and 252 of Professor Dunbar's book; "the Treasury notes "issued in accordance with the provisions of this Act "shall be redeemable on demand, in coin, at the "Treasury of the United States or at the office of "any assistant treasurer of the United States, and "when so redeemed may be re-issued; but no greater "or less amount of such notes shall be outstanding "at any time than the cost of the silver bullion, and the "standard silver dollars coined therefrom, then held "in the Treasury purchased by such notes; and such "Treasury notes shall be a legal tender in payment "of all debts, public and private, except where "otherwise expressly stipulated in the contract, and "shall be receivable for customs, taxes, and all "public dues, and when so received may be reissued; "and such notes, when held by any national banking "association, may be counted as a part of its lawful "reserve. That upon demand of the holder of any "of the Treasury notes herein provided for, the "Secretary of the Treasury shall, under such regu-"lations as he may prescribe, redeem such notes in "gold or silver coin at his discretion, it being the "established policy of the United States to maintain "the two metals on a parity with each other upon the "present legal ratio, or such ratio as may be pro-"vided by law." I read the latter part of the clause, because the Secretary of the Treasury has made a declaration regarding it, which we shall come to afterwards.

2096. Those Treasury notes are notes issued against silver bullion or coin?—No, they are issued exclusively against the purchase of silver bullion. They could not be used for any other purpose except to buy silver with. That is the sole power which is given by this Act; and I have here a Treasury note which is exactly similar in form to the greenback, and the only difference is that the one dollar is to be payable in coin. That is not said on the greenback. Of course it does not come to any real difference. I may say that the greenback itself is called a Treasury note.

2097. But that might be paid in silver?—The Secretary of the Treasury at his discretion could pay it in silver.

2098. (*Sir Reginald Welby.*) In legal phrase there would be no difference between the greenback and the Treasury note; they would both be called, in legal phrase, Treasury notes, would they not?—That might be so; greenbacks are usually called United States notes, as it happens; but I notice they are described as Treasury notes upon the face of them.

2099. (*Chairman.*) Under the provisions which did away with the inconvertibility of the greenback, could the Treasurer pay the greenback in silver?—Legally he could pay it, but yet there may be a doubt. A question like this might arise. As, at the time when the resumption of specie payments was determined upon, gold was the sole unlimited legal tender, and as the Treasury were directed to accumulate gold for the purpose of redeeming the greenbacks at par, might it not be held that this was a direction that they should be paid in gold? I think, under the verbal wording of the Acts, that it would be lawful for the Treasury to pay in silver. But the Americans are very acute at legal questions, and probably the point would be raised, and it might be held that the whole tenor of the Acts amounted to a direction to pay in gold.

2100. Because they are bound to keep a large gold reserve as against them?—They were directed to accumulate the reserve of gold for the purpose of paying them. There is no direction to keep it accumulating, there is simply a direction to get it accumulated.

2101. Except the direction that they are to cease using gold certificates if the reserve is below that amount; that impliedly directs them?—That is the direction.

2102. (*Mr. Courtney.*) At that time, however, the dollar was only legal tender to the extent of a dollar; there was a limit on the legal tender of silver at that time?—At the time when the Act for resuming specie payments was passed, there was a limit on the legal tender of silver, and the Treasury were directed to provide gold for paying the greenbacks on demand.

2103. (*Chairman.*) Among these forms of currency you have mentioned, are there not also National bank notes?—National bank notes are another principal form of currency, and the National bank notes began in the time of inconvertible paper. The clause as to legal tender is worded a little differently regarding them. The legal tender clause with reference to the National bank notes is at page 182 of Professor Dunbar's book—"shall be "received at par in all parts of the United States in "payment of taxes, excises, public lands, and all "other dues to the United States, except for duties "on imports; and also for all salaries, and other "debts and demands owing by the United States to "individuals, corporations, and associations within "the United States, except interest on the public "debt, and in redemption of the national currency."

2104. How is the limit placed upon the issue of National bank notes?—They are strictly limited to 90 per cent. of the face value of the Government bonds which the banks have to deposit. Practically, the United States Government guarantees these National bank notes, and it is absolutely secured in the matter by the deposit of the bonds, and also by a deposit of 5 per cent. in cash.

2105. Are they considerable in amount?—They are not now considerable in amount. They used to be about equal to the greenbacks, about 70,000,000*l.* sterling each, but now the National bank notes have diminished. Partly in consequence of the tax on them, and partly in consequence of the high price of the bonds which have to be deposited for them, it has become unprofitable to issue them, and they are reduced to 30,000,000*l.* sterling. They bear upon the face of them that they are payable to the bearer on demand, that is to say, they may be paid in greenbacks or in gold and silver coin.

2106. (*Sir Reginald Welby.*) There is a difficulty in getting the bonds of the United States now with a deposit against them?—That is the real difficulty, that you have to pay such a high price for them, and the banks themselves are taxed upon the issue. It has become not profitable really to issue them, and they have been reduced to that amount from 70,000,000*l.*

2107. And that is likely to increase?—They have been stationary at 30,000,000*l.* for some time, and it is difficult to say whether they will now diminish farther or quickly. I may say that, to the extent of 5,000,000*l.* or 6,000,000*l.* sterling of the amount, the banks themselves have deposited actual cash with the Government of the United States to redeem these notes, and the banks are really no longer concerned; but the notes themselves still keep in circulation, more as obligations of the United States Government

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than obligations of the banks. At this moment to the extent of 5,000,000*l.* or 6,000,000*l.* of the issue the banks are no longer concerned. The amount which the banks are interested in is not more than 25,000,000*l.*

2108. (*Mr. Courtney.*) Under certain circumstances there might be a necessity to deposit more than 90 per cent.?—When the bank wishes to abandon its note circulation, it deposits cash with the Treasury to enable the Treasury to redeem the notes when they come in. It is all managed by the Government, and at that stage the bank of course gets its bonds back.

2109. I thought, under the Act authorising the issue of those notes, under certain circumstances the Treasury had power to require an increase of the deposit of 90 per cent.?—I think that is when the bonds fall below par, but as that has not happened ——

2109*a*. It has not happened, but it is a liability?—It is a liability undoubtedly, but it has never been a practical question. In addition to that, they have all to deposit 5 per cent. in cash at all times.

2110. (*Chairman.*) That concludes what you have to say with regard to the different forms of currency?—Yes.

2111. Will you state to the Committee what has been the amount of gold in the Treasury at different dates?—In 1878, when specie payments were resumed, the gold in the Treasury was 128,500,000 dollars, that is to say, about not quite 26,000,000*l.* sterling. Then I have a table here which I shall put in, if you desire, showing the stock of gold at different dates. In 1888, that was ten years afterwards, at June 30th, the gold was over 63,000,000*l.* sterling, converting the dollar always at 4*s.*, which is a little under the mark. That was about the highest which the gold in the Treasury reached. Then in 1890 it was still about that amount, 320,000,000 dollars, and that is quite 64,000,000*l.* Then in 1891 it went down to 48,000,000*l.*, or rather less, and, after going up again in the spring of this year, it is now again about 48,000,000*l.* sterling.

2112. That is about 14,000,000*l.* less than in 1888?—About 16 000,000*l.* less than the highest point at which the gold has been. Just before the Act of 1890, it was, I used to consider, just about 64,000,000*l.* sterling.

2113. Since the Act of 1890, has the issue of additional silver certificates ceased?—The issue of silver certificates has not legally ceased, because any man who has silver coin can take the silver coin to the Treasury and deposit it and get a silver certificate, but practically it has ceased. They have had no increase of silver certificates lately, because the coinage of silver itself has ceased too.

2114. What one may say is that the Treasury notes have taken the place of any additional silver representative circulation that might otherwise have existed?—The Treasury notes at this moment are the elastic part of the currency, you may say; they are continually being added to, and there are no provisions for adding to any other part of the currency except the gold certificates. If any man took gold to the Treasury, he could get a gold certificate.

2115. One knows that the silver certificates have kept continually increasing in amount for many years down to 1890?—No, that was not quite so; because for some years the silver would not go into circulation, and it was some time after before the silver certificates began really to go into circulation. They did not begin to circulate immediately after the passing of the Bland Act.

2116. No, but what I mean is that for several years before 1890 there had been a continuous increase of the silver certificates?—That was so, yes.

2117. Then, any increase that it might be presumed would have gone on but for the Act of 1890 may be taken to be included, if I may say so, in the Treasury notes?—I have got the exact figures, which you shall have before you about all the paper and how it has increased and diminished, because that raises a very nice question to my mind as to what circulation is. There is a certain amount of duplication in the American figures, and I am not sure at the present moment what the active circulation in the United States is. I should be inclined to say, there has been no increase or little increase of active circulation in the United States certainly for a year, and perhaps for two years, for this reason, that the Government paper which is issued does not circulate, but is left in the banks to some extent, and that raises the question really as to what the active circulation of the United States has been, as distinguished from the nominal amount of the issues.

2118. Do you mean that it is held by the banks, in a sense different from that in which silver certificates were held?—That I am not sure about. I am a little inclined to think there is some management going on between the banks and the Government, and a certain amount of paper is issued which partly takes the place of gold certificates and partly does not circulate at all in the sense in which we are now using the words; but it is a great difficulty, with the figures altogether, that you have the two bodies issuing the paper, the Government and the banks.

2119. What is passing through my mind is this; down to 1890, when the silver certificates had been increasing in amount year by year for many years, the gold still kept at its high level or even increased; was that not so?—The paper altogether in the United States, including the National bank notes in the form in which they keep their account, increased from 656,000,000 dollars in 1878, that is about 132,000,000*l.* or thereabouts, down to June 1890, when it was 944,000,000 dollars, that is to say, 188,000,000*l.* sterling or something like that.

2120. Something like 40 per cent.?—That was a very large increase, but of course that is subject to the observation which I have made just now, that it adds up the National bank notes along with the other notes, and I am not quite sure that we should consider that the active circulation increased so much during that time. A great deal of the Government paper was retained in the banks, and it was not in active circulation in the proper sense of the word.

2121. To what extent did the silver certificates increase, from, say, 1880 to 1890?—The increase of the silver certificates was from nothing at all in 1878 to about 60,000,000*l.* sterling in 1890. The increase was not very sensible until about 1880, two years after the Bland dollars commenced.

2122. But that did not at all events, whatever the cause, produce any effect in diminishing the gold in the Treasury; the gold accumulated after that?—The gold went on accumulating all through this period, I think almost steadily all through that period. There were no doubt differences at different times; it was not quite an increase every year all through that period, but generally an increase, some years less and some years more, but generally an increase all through.

2123. Now, when did the Treasury notes under the Act of 1890 begin to get in circulation?—At once; they commenced immediately after the Act was passed.

2124. At what time of the year was it passed in 1890?—In August I think; immediately the Act was passed.

2125. Would not that almost necessarily be so, because they were to buy their silver by means of issuing their notes, and they were bound to buy the silver?—They were bound to buy the silver.

2126. Can you give us the gold in the beginning and the middle and the end of 1890, to see when it began to diminish?—The gold in the middle of 1890, June 30th, 1890, was 64,000,000*l.* sterling, and in June 1891 it had got down to 48,000,000*l.* sterling. By the beginning of this year again it had got up to 56,000,000*l.* sterling; these are the dates which I have got before me. I daresay I could get the other dates, but some of my files have not been continuous throughout, and I took the best that I could. June 30th is a date which we get very conveniently, because that is

the date to which the Treasurer's statements are made up.

2127. Now, can you tell us, about August 1890 and the end of 1890, to what extent the issue of the Treasury notes against silver purchases exceeded the issue of silver certificates, say, in the corresponding half of the previous year?—I have only got the figures annually for the increase of silver certificates, but between June 30th, 1889, and June 30th, 1890, the increase of silver certificates, the outstanding amount against the Treasury, was 40,000,000 dollars or 8,000,000*l.* sterling.

2128. That is in the year?—Then between 1890-91 the issue of silver certificates almost stopped; there was a very small increase.

2129. If one supposes that 8,000,000*l.* to be spread over the whole year more or less equally, that would be about 4,000,000*l.* for the half year?—Yes, that would be so.

2130. Then, how much in excess of 4,000,000*l.* were the Treasury notes in the latter half of 1890?—I cannot give you for the latter half year very closely, but I find that between June 30th, 1890, and January 1891 the Treasury notes that were outstanding against the Treasury were about 1,000,000*l.*, only 5,000,000 dollars. They had purchased more silver, but the notes had come in, and that was all that was outstanding.

2131. Do you know what had been issued?—The exact amount to purchase the silver as directed, 4,500,000 ounces per month.

2132. And that had been four months?—Yes.

2133. How much a month would that be?—That amounted to very nearly from 900,000*l.* to 1,000,000*l.* sterling per month.

2134. Still that would be under 4,000,000 dollars? Rather more than 4,000,000 dollars for some time, in consequence of the high price of silver.

2135. Now, what I do not quite see is why that should have produced so serious an effect upon the amount of gold in the Treasury?—This statement shows the monthly purchases of silver bullion under the Act of 1890, and it shows that there was paid for silver bullion in August 1890, 4,140,000 dollars; in September, about 4,540,000 dollars; in October, 5,360,000 dollars; in November, 4,640,000 dollars; and in December, 4,780,000 dollars.

2136. Something between 4,000,000 dollars and 5,000,000 dollars?—Yes.

2137. Then why should that have produced an effect upon the gold, which had no parallel at all in the previous time when they were issuing the silver certificates?—I do not think that this is all to be ascribed to the issue of Treasury notes, though that issue of course co-operated.

2138. There is some other cause behind it?—Undoubtedly there is always an abundance of other causes operating. I should say broadly that it was the effect of the Baring crisis, unmistakeably, that helped to take the gold away.

2139. There would not seem to be in the change from the silver certificates to the new legislation, sufficient to account at that time for any considerable change in the stock of gold?—No, except this, that I think the effect of the Baring crisis was to diminish the demand for active circulation in the United States, and then the effect of the Baring crisis was to cause a demand for the export of gold abroad to pay United States debts with, and you had those two things operating, the circumstances continually changing.

2140. Yes, the Baring crisis was in November 1890, so that it is within that period?—Yes.

2141. Then how was the gold, do you suppose, got from the Treasury for whatever purpose it was required, so as to reduce the store to the extent to which it was reduced?—The gold is got because the Treasury, in fact, pays in gold.

2142. Yes, but has it been got by changing the certificates or the greenbacks or the Treasury notes or what, into gold?—It has been mostly got by changing the certificates. I find at least the certificates have diminished.

2143. The gold certificates?—Yes, but I think the best way to explain it is to take the exact statement of the Treasurer of the United States in his official report for 1891, page 13, where he speaks of the exports of gold:—"Such heavy exports of gold as signalized "the last six months of the year," [that is, the six months ending June 30th, 1891,] "the heaviest by far "that have been recorded in the history of the "country, naturally excited profound interest, not "only at home, but throughout the whole world. To "the Treasury this outflow was particularly signi-"ficant, since the Treasury was obliged to furnish all "the material. It is well understood, indeed, and it "will appear in other parts of the present report, that "this gold was drawn almost altogether from the sub-"treasury in New York in exchange for other kinds "of money. It is important to know, and the "inquiry may throw some light upon the monetary "situation, what those other kinds of money were. "The records do not appear to have been kept in "such a manner as to show directly, and in the lack of "better data the daily reports of receipts and disburse-"ments rendered to this office have been resorted to. "During the period in question the assistant treasurer "paid out in gold coin for gold certificates, directly "for gold certificates and other kinds of money, upon "what is called his exchange account, and in small "sums on disbursing officers' checks." They have paid out 78,729,320 dollars, it seems, of gold more than what was paid in at one time; of standard silver dollars they paid out 864,190 more than what was paid in; in the fractional silver coin they paid out 3,329,100 dollars more than were paid in. Then of United States notes they received more than they paid out, 7,883,715 dollars.

2144. You mean greenbacks?—Greenbacks, yes. Of Treasury notes of 1890 they received 4,320,578 dollars more than they paid out; of National bank notes they received 312,045 dollars more than they paid out; of gold certificates they received 61,317,387 dollars more than they paid out; and of silver certificates 9,088,885 dollars more than they paid out.

2145. Then by far the greater amount of gold seems to have been in exchange for gold certificates?—In exchange for gold certificates.

2146. Well, that, of course, would reduce their gold liability *pro tanto*?—That would reduce the ear marked gold.

2147. It reduces the ear-marked gold, and it reduces the liability in respect of the ear-marked gold to an equal extent?—Yes, undoubtedly, and I may say that, as I mentioned a little time ago, after the summer of 1891, a reverse movement set in, and a great deal of gold came into the Treasury, and there was again an increase of gold certificates; the gold certificates had fallen to about 24,000,000*l.* sterling in the middle of 1891. I find in February this year, when I was able to get the accounts again, the gold certificates had gone up to 32,000,000*l.* sterling, and in February they were 31,000,000*l.* sterling; at the end of March, they were also 31,000,000*l.* sterling. From the end of March to the end of October last, I can compare month by month the amount of gold certificates and actual gold in the Treasury, and I find that, the gold certificates, which were 31,000,000*l.* sterling in March, at the end of October had got down to 24,000,000*l.* sterling, and the gold in the Treasury, which was 56,000,000*l.* sterling at the end of March, had got down at the end of October to between 48,000,000*l.* and 49,000,000*l.* sterling. That is the history of the movement during the present year, when gold has again got down to the point at which it stood in the middle of 1891.

2148. Have you formed any idea as to what has led to the large diminution in the stock of gold held by the United States, and what has become of that gold?—Well, the occasion of it to some extent, I think, has been the issue of the Treasury notes; but, apart

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from that, the present is a time in which gold tends to come from all countries to monetary centres, of which London is the chief, partly as the result of the Baring crisis. Of course, when gold comes to London it does not stay here; this is a distributing market, and as a matter of fact a great deal of what has come here has gone to France, and has gone to St. Petersburg, France having also received a great deal of gold directly from the United States. The demand for St. Petersburg is a very peculiar one, because the Russian Government has been accumulating a great deal of gold there during the last few years, partly by borrowing, and it now claims to have the command of close upon 100,000,000*l.* of gold in sterling altogether, —96,000,000*l.* was the last figure which I noticed,— and over 70,000,000*l.* of this exists in the form of gold in the bank of St. Petersburg. It has not been easy to follow the borrowing altogether lately, because you have had considerable conversions of the Russian debt; but, apart from direct issues of the Government, the Russian Government has been able to borrow for many years by issuing large blocks of rouble notes, which are the subject of dealing on the Berlin Bourse, just as state bonds of any country are the subject of dealing, and by these various means the Russian Government has been able, in spite of its deficits, to obtain control of this vast amount of gold.

2149. Do you think the operations for currency purposes of Austria-Hungary have produced any sensible effect?—They have produced some sensible effect, but London is always a distributing centre, and gold goes from London to every quarter. I have not been following the gold movements closely enough to be able to tell you where it has all gone, but these things I do know about.

2150. As regards the efflux of gold from the United States due to the Baring crisis and impaired credit, that would be likely to be a temporary movement only?—That would be so, but the issue of Treasury notes is material also. There is no doubt the effect of the issue of Treasury notes, so far as they can be put into circulation, is to diminish the demand for gold which would otherwise exist. We cannot assume that the demand for gold in the United States, the use for gold, would be the same now as it would have been if there had not been an issue of Treasury notes. It helps to provide the gold, for which there is a demand to pay the United States' debts.

2151. I do not know if you have observed the mode in which the returns show that the import duties, the customs duties, are paid at New York? —I have observed it at different times, but I have not got any statement upon that point.

2152. I have not examined the returns very recently, but down to a very recent period at all events was there not a very large amount paid in gold or in currency which represented gold?—In gold certificates.

2153. In gold certificates, yes?—I have a statement here which shows the monthly receipts for customs in the six months ending June 1891. Sixty per cent. of the receipts were in gold certificates, 12 per cent. in silver certificates, and 12 per cent. in United States notes. But in previous six-monthly periods I observe that in the six months ending June 1890 there were 94 per cent. paid in gold certificates, and in the six months ending December you had 87 per cent. paid in gold certificates.

2154. I observe that the tendency has been to a certain extent to replace the gold certificates by Treasury notes or United States notes?—They have endeavoured to make their Treasury notes take the place of the old greenbacks, and, in fact, I believe at one time they tried to treat them as identical. The United States Government, when the Treasury notes began to be issued, considered them identical with the old greenbacks; but one of the forms in which they tried to show this identity was by issuing what are called currency certificates—a kind of paper of a small amount altogether I have not referred to. They issued certificates like these gold certificates upon the deposit of greenbacks, and they tried to issue currency certificates upon the deposit of Treasury notes; but it was found, I believe, that they were not entitled to treat the Treasury notes as greenbacks in that sense, and the consequence is a certain expansion of currency certificates that might have been expected has not taken place.

2155. Do you think that the issue of Treasury notes has had a greater effect upon the gold stock of the United States Treasury than the issue of an equal amount of silver certificates would have had?— I think it would have had exactly the same effect, but the circumstances have been different.

2156. So far as they have had any effect, beyond what the continuance of the issues under the Bland Act would have had, it has been owing to the increase which is authorised by the 1890 Act, beyond what was authorised under the Bland Act?—That is so, and also to the different circumstances to some extent.

2157. What were the different circumstances?— The occurrence of the Baring crisis. For some years there was a demand for currency, and now there has not been the same demand.

2158. So that, if trade were to revive again, and currency demands, with revived trade, that effect would be diminished *pro tanto*?—I think the expectation in the United States is that, if they can carry over for a year or two, they might have a revival in the demand for paper, and that it would be more possible to float the Treasury notes. I believe at present, to some extent, the Treasury notes are held by the banks, and that these would go out.

2159. Why do you think the Treasury notes are held by the banks, more than other forms of paper currency?—The banks will not hold the silver certificates at all, if they can help it; they pay them away. They hold the greenbacks; they hold the gold certificates, and they hold the Treasury notes, because they are considered to be the same as greenbacks; but they do not hold the silver certificates.

2160. Is that a recent practice?—No, that has always been; they have always disliked the silver certificates.

2161. Then why do they give you nothing but silver certificates in exchange for your cheque or credit?—Practically they do. They do not have much of the silver certificates in the banks. I could give you statements upon that point as well, because the figures are almost all published, and the chief holding of currency by the banks is in the form of gold certificates and greenbacks, and now Treasury notes as well.

2162. You mean that the bank reserves consist of that?—The bank reserves consist of that.

2163. (*Sir Reginald Welby.*) Is that a prejudice, or is it that they really think——?—Well, at first there was alarm about the silver certificates, and so much so that the banks agreed among themselves that they would not treat the silver certificates as any part of their reserve, or accept them in clearing-house transactions; and there was an enactment, which you will find somewhere in this volume, to the effect that any national bank refusing a silver certificate on a clearing-house transaction was to cease to be a national bank, whereupon the banks agreed amongst themselves that they would not present silver certificates at the clearing house, which came to the same thing.

2164. I understood you to say that, as a matter of practice, silver certificates can be changed into gold?— As a matter of practice they are practically equal, but still there is a feeling about them that you do not find them kept in the reserve of the banks, and I think there is one practical reason for that. In order to get the silver certificates into circulation in 1882 or 1883, or thereabouts, special care was taken

to have power to issue them in small denominations. At the same time the small denominations of the greenbacks were withdrawn, and that has made the silver certificates very largely of small amounts. Of course they are not so convenient for banks to hold as gold certificates; the smallest denomination of these is 20 dollars, and practically the great bulk of the greenbacks are in large denominations also, although legally you may have them for one dollar.

2165. (*Chairman.*) Is that all you have to say with regard to the gold in the Treasury, before we pass to the silver?—Except that I propose to put in the different tables, which, I think, will speak for themselves.

CIRCULATION of PAPER in the UNITED STATES and AMOUNT of GOLD and SILVER held by the TREASURY in the under-mentioned Months of 1892.*—[In Millions Sterling.]

	1. Government Paper.						2. National Bank Notes.	3. Cash in Treasury.	
	Gold Certificates.	Silver Certificates.	Currency Certificates.	Greenbacks.	Treasury Notes.	Total.		Gold.	Silver.
1890.									
June 30	†*26·2*	*59·5*	*2·4*	*64·6*	*Nil*	*152·6*		*64·2*	*69·3*
1891.									
January	31·2	60·8	2·3	65·7	5·0	164·9			
June	†*24·0*	*64·4*	*4·4*	*64·3*	*8·4*			*47·8*	*79·9*
September	22·4	64·4	3·6	65·2	11·5	167·1		49·0	82·0
1892.									
February	32·0	65·0	5·8	64·6	15·2	182·6	29·0		
March	30·8	65·2	6·0	64·8	15·5	182·3	29·6	56·0	86·9
April	30·8	65·5	6·0	64·8	17·5	183·4		54·7	87·8
May	31·5	65·5	6·7	63·7	17·4	134·8	27·9	54·3	88·7
June	28·2	65·4	6·0	62·4	19·6	181·6	29·6	51·0	89·6
July	27·4	65·5	5·4	62·4	20·3	181·0	30·0	49·5	90·4
August	25·7	65·6	4·4	63·5	20·8	180·1	30·1	48·5	90·9
September	24·2	65·4	3·5	64·5	21·4	179·0	30·1	48·1	90·9
October	24·0	64·9	2·1	66·4	22·8	180·2	30·0	48·8	91·1

* The dates are the last day of each month.

† The figures in italics are from the Report of the Treasurer of the United States for 1891. The rest of the table is from the Monthly Debt Statements; but there is no doubt they are absolutely on the same basis.

GOLD AND SILVER (in Millions of Dollars) in TREASURY of UNITED STATES at end of June in under-mentioned Years (Treasurer's Statement).

	Gold.	Silver.	Fractional Silver.	Total.
	Dollars.	Dollars.	Dollars.	Dollars.
1878	128·5	15·0	6·9	150·4
1879	135·2	33·2	8·9	177·4
1880	126·1	49·5	24·3	200·0
1881	163·2	65·9	27·2	256·3
1882	148·5	90·4	28·0	266·9
1883	198·1	116·4	28·5	342·9
1884	204·9	139·6	29·6	374·1
1885	247·0	169·4	31·2	447·7
1886	232·8	184·3	28·9	446·1
1887	278·1	222·4	27·0	527·5
1888	313·7	254·5	26·0	594·3
1889	303·5	289·7	25·1	618·3
1890	321·6	323·9	22·8	668·3
1891	238·5	379·7	19·7	637·9

2166. Next, with regard to the amount of silver in the Treasury?—The silver in the Treasury has gone up from 15,000,000 dollars or 3,000,000*l.* sterling—that is the standard silver dollars I am speaking of—in 1878; and in June 1891 the figure is 379,700,000 dollars, or about 75,000,000*l.* sterling. The latest date of all in the Treasury statements which I have before me is October 1892, and the silver in the Treasury then, including 20 million dollars of fractional silver, is 456,000,000 dollars, that is to say, over 91,000,000*l.* sterling. Of course there is a complication in making up the amounts of silver held by the Treasury in this way, that, as far as what has been coined into standard silver dollars is concerned, it is entered at the nominal value of the silver dollars; as far as the purchases are concerned, as I understand, the amount of silver that appears in the accounts here, is the amount of silver at the cost at which it was actually purchased, so that the two figures do not exactly add up; they are two different things that we have.

2167. Will you give the Committee the present amounts of paper of different kinds in circulation, and the corresponding figures for 1890 and previous years?—I propose to give the actual figures at this moment, that is at the end of October 1892, if that will do.

2168. Yes, that would do?—The gold certificates issued are 143,400,000 dollars, but against that you have a sum of 23,182,000 dollars in the Treasury itself against the issue, and that reduces it to about 120,000,000 dollars.

2169. Of what?—Of gold certificates. Then the silver certificates issued are 326,850,000 dollars, but against that there is in the Treasury 2,297,000 dollars, so that practically the silver certificates outstanding are 324,000,000 dollars. Then you have currency certificates outstanding, issued altogether 11,100,000 dollars; but you have 560,000 dollars of these in the Treasury, so that practically you have about 10,500,000 dollars outstanding.

2170. What are the currency certificates?—The currency certificates are certificates against the deposit of greenbacks, analogous to the gold certificates against the deposit of gold; and I believe the object of the currency certificates is that you may have a bit of paper for an amount larger than any of the denominations of the greenbacks themselves; but the amount has got down to a very small figure now. The Treasury notes of 1890 issued amount to 116,611,000 dollars, but against that there are in the Treasury 20,430,000 dollars; so that practically the Treasury notes outstanding are 114,500,000 dollars. Then there are the legal tender notes, that is to say, the greenbacks, of which the issue altogether is 346,681,000 dollars, and of these there are in the Treasury 14,600,000 dollars, so that leaves the net amount of legal tender notes at

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332,000,000 dollars. These are the latest amounts of the paper.

2171. (*Sir Reginald Welby.*) But are there not some certificates issued against those legal tender notes; may they not be counted twice over?—Not in this mode of stating it, I think, but the amount is not large in any case.

2172. (*Chairman.*) How does that compare with the figures before the 1890 Act was passed?—Well, the net amount of all these issues translated into sterling money, that is to say, the sums issued, less sums which are held in the Treasury itself, comes to about 180,000,000*l.* sterling. A year ago, about September 1891, of which I have got the figures, the net amount of all these together was 167,000,000*l.*; that is an increase of about 13,000,000*l.* sterling of Government paper, and at June 30th, 1890, the figure was 153,000,000*l.*, so that would apparently give an increase of 27,000,000*l.* sterling in the circulation of Government paper, if you can consider it to be really circulation, which I do not. It is not active circulation, I should think, but it is the issue of the Government for which they are responsible, and that shows an increase of 27,000,000*l.* in a little more than two years.

2173. There has not been a corresponding diminution in other paper by reason of the issue of Treasury notes?—Not corresponding. There has been some diminution, but the Treasury notes altogether at the end of October only amounted to about 23,000,000*l.* sterling, whilst the increase in the two years that I have given you is 27,000,000*l.* sterling.

2174. Therefore, the increase has exceeded the amount of the Treasury notes; there has been no diminution, but, on the contrary, an increase?—No; there has been an increase of silver certificates at the same time from 59,000,000*l.* to 65,000,000*l.* Between June 30th, 1890, and October 1892 there has been an increase in silver certificates. The silver certificates went on being issued up to the beginning of this year. There was still some coinage going on under the Bland Act, or, at least, there was some deposit of silver coin going on up to the beginning of this year.

2175. They were not purchasing under the Bland Act for the purpose of coining?—No, not for the purpose of coining; but the Act of 1890 gave them power to go on coining the silver that had been purchased under the Bland Act for a considerable time till it was all coined. I believe the Act of 1890, which you will find in this book, gave them power to go on coining the silver that had been purchased under the Bland Act, and it also gave them power to coin the silver which is being purchased now if it should be required.

2176. Would that diminish the amount of the Treasury notes *pro tanto*?—I think it would, but it is very difficult to construe all these Acts.

2177. (*Sir Reginald Welby.*) What you have been giving us up to the present are notes for which the Government are responsible?—Yes, but the National bank notes have been comparatively stationary at about the figure of 30,000,000*l.* for two years.

2178. (*Mr. Courtney*) Sterling?—Sterling, but with slight differences as to the portion for which the Government is responsible, and as to the portion for which the banks are responsible.

2179. (*Chairman.*) Have you already given us the figures you had prepared, showing, during the last few months, that the gold and gold certificates had diminished *pari passu*?—Yes, I have stated them; that they seem to have been diminishing *pari passu*; but these figures will appear in the tables which I shall leave with you.

2180. Are you aware of any declarations made by the Secretary to the Treasury which would lead to the belief that the silver certificates or the Treasury notes would, if necessary, be paid in gold?—Of course. I have read you that passage from the Treasurer's report of what the practice was, but there was a very important declaration made by Mr. Foster, the Secretary of the Treasury, at the annual banquet of the New York Chamber of Commerce on the 18th November 1891, which is referred to by Mr. Taussig in his book on the silver question, as pledging the Secretary to the Treasury to that effect. But I have got the exact passage, and I propose to leave the whole of it with you, and I shall read what appears to be the critical part for this purpose. "Mr. Smith "asked Mr. Foster to define his actual powers with "regard to the issuing of Treasury notes for gold." It is not quite a clear expression of what the question was, but the Secretary replied: "The Resumption "Act confers authority upon the Secretary of the "Treasury to issue bonds to any extent that he may "be called upon to do, and to increase, maintain, or "decrease his gold reserve. The Act of July 14, "1890"—that is the Act of 1890 we have been speaking of—"commands me to preserve the parity of "gold and silver. It has always been the custom in "this country to pay obligations in gold, and there-"fore, should there be any trouble about this, and if "the present hundred millions of gold or the reserve "fund were to be called out or intrenched upon, it "would be within the Secretary's power to issue "bonds for gold up to 5 per cent."—5 per cent. interest on the bonds—"and to replace or increase "that reserve fund." Of course this is a declaration that all the paper would be payable in gold; he interprets that declaration in the Act of 1890, which I read to you, as a direction to maintain the parity between gold and silver.

2181. It could hardly be relied on as a pledge to do that, because he might consider that the parity might be maintained without it?—Mr. Taussig, an American authority, accepts it as having that construction, and that practically is the construction put upon it, and that is the object with which the declaration is made. It was a deliberate statement to the Chamber of Commerce.

2182. (*Mr. Courtney.*) What report do you quote?—I quote from the telegram in *The Times*; the actual words of it telegraphed in full.

2183. I suppose Mr. Foster scarcely pledged himself to that telegram?—You will see better, perhaps, when you read the whole passage; but that was the construction put upon it.

2184. (*Chairman.*) The question to which it is an answer could hardly have been telegraphed correctly?—No, it is not very clear; but still that is an historical declaration upon which that construction has been put.

2185. Of course a good deal of it would depend upon what he meant by the obligation to pay in gold. When he speaks of the 100,000,000 being intrenched upon, it looks as though he might be referring to the greenbacks?—Undoubtedly, in all the circumstances of the time, the meaning of the declaration was that all the paper would be payable in gold, if required. I happen to know there was a great deal of commotion in the United States at the time on the subject, and that construction was put upon the declaration, and is put upon it. It may be interesting to mention that, when I was getting these specimens of paper which I have shown you, the gentleman at the exchange office who was selling them to me, when he gave me the bank note, and when he gave me the greenback—I had been asking particularly for the gold certificates—explained to me that "these will do "quite as well, sir; these are all payable in gold; it "is not so expressed on the face of them, but these "are all the same."

2186. (*Mr. Courtney.*) But all these declarations of this ministerial officer are only declarations?—I may say that for a good many years, the time the five-twenties were floating, the credit of the five-twenties depended a good deal upon similar declarations of the Secretary that they would be paid in gold. A doubt had arisen as to whether the principal was payable in coin, though there was no doubt about the interest, a point ultimately settled by enactment; but for a time the credit of the bonds rested purely upon Treasury declarations on this head.

2187. (*Chairman.*) That is the Secretary of the Treasury of a moribund administration.

2188. (*Sir Reginald Welby.*) One Secretary of the Treasury died immediately after making the declaration?—That was Windom who died. I am merely telling you how the thing stands, and Americans calmly tell me—authorities with whom I have discussed this matter—that, law or no law, the intention is to maintain the equality with gold, and to suspend the purchase of silver if necessary; that they have no hesitation about it; that that is the permanent policy of the Treasury; and account is taken of it—I mean the banks act upon it.

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2189. (*Chairman.*) The mode which he there suggests is not the stopping of the purchases of silver or the issue of Treasury notes, but the borrowing on bonds?—I may say that, as far as my own judgment goes, the statement that he is prepared to borrow upon bonds and get gold does not bear upon the critical point. The critical point is that he should lock up the paper, and not issue it if it is not wanted. However, that is the mode in which the subject is viewed by the American public, and that is the historical declaration which has been considered one of great importance.

2190. I think that covers all that you wish to say?—That was all that I proposed to put before you

The witness withdrew.

SIR THEODORE HOPE, K.C.S.I., C.I.E., called in and examined.

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2191. (*Chairman.*) You have been for 35 years in the Government service in India?—Yes, my Lord.

2192. You were 23 of those years in Bombay?—Quite so.

2193. You have served on Finance Committees there, and are the author of the Government Text Book of Revenue Accounts?—Yes, quite so.

2194. You were the Commissioner of Customs, Salt, and Opium?—Yes.

2195. During the last twelve years of your service, you were for the first five years a member of the Governor-General's Legislative Council?—Yes.

2196. And then Secretary to the Government of India, in the department of Revenue, Agriculture, and Commerce?—Yes.

2197. You were Financial Secretary to the Government of India, and for a short time Financial Member of Council, in 1881 and 1882?—Yes, and then Public Works Member of Council for $5\frac{1}{2}$ years.

2198. With reference to the difficulties which the fall of exchange has imposed upon the Government of India, do you think that it would be an easy matter to provide by additional taxation for any deficiency so caused in the budget?—I do not think it would be possible at all. I think it would be financially imprudent to do so, and politically dangerous to attempt it; very likely futile also, that is, inadequate to meet the difficulty.

2199. As regards the land revenue and provincial rates, do you think anything can be done?—No, I do not think that anything can be done. The land revenue creeps up at the rate of about Rx. 190,000, £190,000 we will call it conventionally, a year, and that is all. Nothing large can be done unless we were, for instance, to touch the permanent settlement of Bengal. There is no other way whatever of producing any large financial result.

2200. Supposing that a gold standard were adopted, as suggested, and the ratio of the rupee to the sovereign were thereby raised, do you think that the land revenue might press more hardly upon the people than it does at present?—If I rightly understand the question, if steps were taken by which the rupee would be appreciated, that is to say, that nine rupees, we will say for the sake of argument, would become equal to what ten rupees are at present, then the difficulty of paying the land revenue would be increased, because a man would have to find one rupee more than he now must.

2201. Supposing that the ratio of the rupee to gold were raised, and no higher gold price were obtained by the Indian producer for his produce, he would receive fewer rupees than he does at present?—Quite so.

2202. And in that way the taxation would be felt more than it is?—Certainly.

2203. As regards the opium and excise, do you think anything can be done with regard to those branches of revenue in the way of increasing the income?—Opium, certainly not, because that is a falling item owing to the condition of consumption in China, and it is likewise, if one might so call it, a condemned item, owing to the views of some of our friends here in England, who are determined not to allow it to be increased,—much, at any rate.

2204. The same would be the case with regard to excise? I do not refer to the special causes affecting the opium, but there would be similar difficulty in increasing the income from excise?—There is now in fact a popular misapprehension here in England, that an increase of the excise means an increase of consumption, and that, therefore, it is a very wicked thing to increase the excise revenue; therefore, that difficulty would have to be met in any attempt to increase the excise. Moreover, I think that the rates of the excise have recently been worked up to as high a range as is possible for, at any rate, some time to come, consistent with maintaining the licit consumption.

2205. And as regards income tax, do you think that is capable of increase?—Certainly not, because equability is the condition of the existence of an income tax in India, according to my view. The old system was to use the income tax as a means of remedying budget inequalities, the old system I mean, from the time of the mutiny, when the income tax was first imposed, up to, say, 1874.

2206. (*Mr. Courtney.*) Did it exist up to that date?—It was then abolished by Lord Northbrook. I think the date was 1874. In 1873–74 it was allowed to lapse. It had been called everything; it came out with a fresh name every year or two.

2207. (*Sir Reginald Welby.*) It began in 1859?—It began in 1859–60, and failed completely. Then it was re-introduced in 1886, as we know, on a totally different basis, which is the basis, the principle, of the old direct taxes levied by the native governments, which are distinguished by their equability. As long as you levy the tax without varying the rates, incidence, &c., you can levy an income tax in India. As soon as you begin to chop and change, you create a large number of difficulties and abuses, which perhaps I need not go into.

2208. (*Chairman.*) Then, as regards salt?—May I be allowed just to say one thing more about the income tax? I wish to make my answer as complete as possible. In my opinion, it is to be regretted that, when the income tax was imposed recently, the rate was not taken at $3\frac{1}{3}$, as was very strongly advocated, but at only $2\frac{1}{2}$ per cent. It would, I think, have been possible to have got from 300,000*l.* to 500,000*l.* (conventional) more, if the higher rate had been taken; but it would not be possible now to make the alteration, because it would be a violation of the principle and a very bad precedent.

2209. (*Sir Reginald Welby.*) A violation of the principle of the constant rate?—Of the principle of stability, equability.

2210. (*Chairman.*) And the amount raised would not be considerable?—It would not. It was estimated at a difference of 300,000*l.* a year, and might be possibly 400,000*l.*, or 500,000*l.*

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2211. Do you think there could be an increase of revenue from salt?—The state of the salt revenue is that in 1882 the rate was reduced to two rupees from rates which came up to very nearly three, and the express object of the reduction was to create an imperial reserve of the very first class; that is to say, to be trenched upon only in the most serious national emergencies, such as a war with Russia; and the idea was that the tax might be raised from two rupees to three in such an emergency, and that would produce at least three crores more of rupees—3,000,000*l.* (conventional), which would serve as the interest for a loan of perhaps 70,000,000*l.* or 80,000,000*l.* Unfortunately, and imprudently I think, that reserve was trenched upon in 1888 to the extent of half, or eight annas, and the tax consequently now is 2½ rupees instead of two. There still remain the other eight annas, and I think it would be the height of financial imprudence and want of foresight, to trench upon those eight annas. On the contrary, I hope that the very first possible opportunity will be embraced to take off the eight annas which were put on recently.

2212. Would an increase in the revenue be possible by additional customs duties?—Well, it is perfectly *possible* to re-impose the customs duties, and the result would probably be about 1,500,000*l.* at the utmost, 1½ crores, but there are very serious obstacles to adopting any such course. In the first place, we have got public opinion in England and a resolution of the House of Commons. A resolution was passed upon the cotton duties, and the abolition of those duties virtually pulled out the brick that brought the whole house down. And then, besides that, there is the necessity of a countervailing excise duty in India, which would have to be imposed not merely upon the mills in British territory, but on the mills either existing or which might and would be erected in the territories of the native chieftains; we should have to induce or practically to compel them to impose a duty of the same nature as our own, otherwise, of course, our mills would go over the border.

2213. Where is there considerable spinning in the territory of native states?—There are now, I think, spinning mills growing up; there were spinning mills in Baroda before I left India.

2214. And are there in Hyderabad?—There are in Hyderabad, and there are in various other native states to a greater or less extent. There is native territory within sight of the town of Bombay, so that probably the effect of an excise duty upon the mills in Bombay would be to take a few 100,000*l.* just across the Bombay Harbour immediately. Companies would be founded there instead of in Bombay, unless we got the whole of the native states in India to follow our system.

2215. (*Mr. Courtney.*) You are looking exclusively to import duties on cotton goods apparently?—My second objection had relation to cotton goods. My first objection had reference to the public opinion in England, which was against protective duties in general, and the resolution of the House of Commons was a resolution which applied specifically to the cotton goods.

2216. Then the larger question remains, is there any possibility of imposing customs duties on India which would not be protective?—The larger question of import duties generally, in all respects?

2217. Yes?—So far as relates to the cotton duties, I think I have answered that.

2218. Yes, quite so?—Well, then, as regards the remainder, or my third obstacle, I was going to mention that, though (excluding cotton) import duties, such as we had previously, never could be got to yield more than Rx. 500,000, native manufactures of an infinity of kinds were necessarily protected by them, because, speaking broadly, there is scarcely an article which is imported into British India from England which is not made in the country, and there are many articles which are not made in the country, but very soon could be so without much difficulty. Therefore the imposition of duties would protect native manufactures very largely. First of all, of course, there is the native cloth manufacture, the hand-loom manufacture all over India, which it would be quite impossible to excise or to touch.

2219. Your answer is that there is no commodity imported into India upon any appreciable scale, which could not also be produced in India?—Quite so, yes.

2220. (*Chairman.*) Have you considered at all the suggestion that an import duty might be placed upon silver imported into India?—I have to a certain extent considered that, but not from the point of view of an import duty; I have considered it from the point of view of some of the suggested remedies for the fall in exchange.

2221. (*Sir Reginald Welby.*) Do you mean in the form of mintage on the coinage?—I was merely answering his Lordship's question as to an import duty.

2222. (*Chairman.*) That would be as a means of revenue?—As a means of revenue.

2223. (*Mr. Courtney.*) We have had the suggestion as to further revenue being raised, and another suggestion has been made here that a considerable part of the expenditure of India ought to be charged to capital account, and the finances relieved in that way; what have you to say to that on public works?—There is a considerable amount of expenditure in India which is charged to ordinary revenue, and might, in my opinion, be charged to capital account, and not only might, but in some instances, I think, ought. There have been very considerable controversies on the subject in the Government of India, and in correspondence with the Secretary of State, a reference to which would give the matter as compactly as it can be given in any way, but there is certainly room for a reduction in the ordinary expenditure of India by transfers to capital.

2224. (*Chairman.*) And transfers to capital which would be legitimate?—Which, in my opinion, would be legitimate. On one occasion, if I am not going more into detail than the Committee would desire, I dissented from the remainder—I and certain colleagues with me dissented from the policy of the Government of India on that very point, and the question went to the Secretary of State, but we were overruled. We considered, for instance, that such expenditure as that for the construction of telegraphs might be treated as capital, whereas up to that time at any rate it was treated and paid for out of revenue. Likewise, there were certain roads made for defensive purposes on the frontier which were not remunerative; that was another large section of the matter under dispute, but it was held they ought to be debited to revenue as long as possible. There was also a certain amount of the war expenditure connected with the conquest of Burmah which we held might have been debited to capital; that, of course, was an exceptional item, which did not recur. But, besides that, every year there is a very large expenditure through the provincial governments for the construction of jails, court-houses, hospitals, and asylums, which, I take it, is of a nature which is usually in England charged to local loans. What would be the financial result of charging the whole of that to capital I am not prepared to say straight off, but it would not be so very great.

2225. Have you given attention to the proposal to change the standard from silver to gold in India?—I have given some attention to it, because from my financial habits I could not very well help doing so; but I have not had the opportunity of studying it as closely as I should have liked, because the records have not been open to me of late years. I had, however, amongst my notes here one note; expecting that I should be asked with regard to the possibility of taxation, I had put down that I considered that these recent currency devices, such as the closing of the mints about which your Lordship asked me just now (I call them all currency devices), are taxation in another form. They are, to my mind, simply a kind of indirect taxation, by which the burden which is now borne ostensibly in the shape

of exchange would be transferred to the Indian people, under another name and under another system.

2226. And do you think that it is possible that it might come to be seriously felt?—I think that all those schemes, as far as I have been able to understand them, for they are not, as far as I can make out, put very definitely even by their promoters, are all extremely dangerous; they are all of an indirect nature, and they are all of a universal incidence, and on this account extremely dangerous. I could just say briefly in what way.

2227. Certainly?—I think that they would enhance the burden of all private debts. They would enhance likewise the burden of the revenue payments to the Government made in silver, which is virtually the answer that I gave to your Lordship's question regarding the pressure of land revenue. Likewise, I take it that they would transfer from the holder in Europe of the Indian rupee debt, to the native taxpayer, the burden arising from the enhanced value of the rupees which the former, that is to say, the holder in England, would receive. He now receives his interest here in England in rupees, as we know—rupee paper I am speaking of—and he now bears the loss from the depreciated rupee, but under these new devices that burden would be transferred out to India.

2228. (*Mr. Courtney.*) How do you meet the suggestion that the person to whom rupees are now owing has been paid a depreciated sum, and that the alteration would only be a restoration to the right payment?—A restoration to the right payment! well, if we are going to restore the right payment to him, I suppose we should restore the right payment to everyone, and we must take care to restore all contracts to the position that they were in before the depreciation of silver took place.

2229. (*Chairman.*) As regards the purchaser of the rupee paper since the fall in silver began, one may perhaps suppose that he took into account the risk of further fall in the price he paid for it?—Quite so; of course that really opens the larger question of what ratio it would be equitable to fix, if you were going to fix one at all; how far all persons are to be assumed to be present purchasers, and how far they are to be assumed to be old purchasers; or, to put it in another way, how far we are to look to the conditions which existed when certain debts were contracted—speaking broadly, say, the railway loans of India or the rupee debt of India—how far we are to look to the conditions when those loans were contracted, or how far we are to look to the conditions of the present purchasers of them.

2230. But, supposing you do not see any reserve of taxation left, and the rupee continues to fall, and these currency devices are more objectionable even than the imposition of taxation, what is the alternative?—I venture to think that I am not called upon to answer that. I think that those who have created the present position may be left to find a remedy for it.

2231. (*Mr. Courtney.*) You are no longer Financial Member of the council?—No; but, if I were Financial Member of the council, I think I should answer on behalf of the Government of India to the same effect.

2232. You mean a restoration of bimetallism?—Well, that perhaps is rather a large inference.

2233. What is the thing to be inferred? There is a dilemma—there is a deficit; you cannot fill that up with new taxes; you cannot get rid of it by increasing the value of the rupee, what would you do? You say: "I would answer, let those who created the deficit "meet it"; what do you mean by that?—I mean by that, that the Government of India for a certain number of years has advocated a definite course. The responsibility of negativing that course has been assumed by the Government of England. I think now, if I were speaking as Finance Minister, I should say, "I have made my recommendations, and "I can make no more."

2234. And that recommendation is the establishment of a certain ratio between gold and silver?—That recommendation at that time was an international agreement, undoubtedly.

2235. (*Chairman.*) That was a recommendation, not that something should be done in India and in relation to India, but that a change should be made in the currency system practically of all Europe?—Not entirely, I think. Of course we are getting now rather into a larger question, but the recommendation that was made by the Indian Government, I think in 1879-80 especially, was that, if England did not think proper to alter her own system, she should allow India as a separate country to act in conjunction with the other nations of Europe, in coming to such an agreement as they all might think feasible under the circumstances.

2236. Yes, but do you think that what we have seen would lead to the conclusion that, if that permission had been given without any qualification, it would have resulted in a bimetallic arrangement?—Well, it is very difficult to go back 12 years, and say, if something had been done, something else would inevitably have happened. One must be taken to answer such a question as that with great caution.

2237. Yes?—I am inclined to think that, taking the feeling in Europe, as far as I was acquainted with it, and I had considerable means of knowing at that time, because that was the period when I was financial secretary to the Government of India,—I am inclined to think that at that period such a permission on the part of England, coupled possibly with some of the minor tokens of friendliness, I will not call them more, which were in a way recommended by the Gold and Silver Commission, would have been taken by the nations of Europe as practically a sort of binding England over at any rate to keep the peace, and would probably have given a very large amount of public confidence towards producing an international agreement, an amount of public confidence which would not probably now be produced by the same concession. If I make myself clear, my means of information at that time led me to think that such a concession at that period might have led to a satisfactory arrangement, which would have saved us very probably a large portion, if not the whole, of the evils we are now contending with.

2238. Is there anything further that you would wish to add?—When I was speaking of the devices, after I had said that the holder in Europe of the Indian rupee debt would be relieved of his burden, and so on, I had intended to say that I thought India would, on the whole, lose by the devices as much as she would gain, but the burden would be transferred and shifted, and it might for a time be divided and distributed in a way that would make the precise effect somewhat obscured to commence with. And then, further, I wished to say that I thought these devices would practically confiscate a proportion of India's accumulated silver capital, the proportion in excess of whatever was the ratio that was decided upon. If a ratio of 1*s.* 4*d.* were adopted, then there would be a certain margin above that of India's silver capital which would be practically confiscated. I think that is a very important point.

2239. How confiscated?—Well, its excess value would cease to exist. Under the new arrangement, the new devices, the value of the rupee would be brought up to whatever ratio was fixed. Mr. Mackay, I think, said 1*s.* 6*d.*; somebody said 1*s.* 4*d.*; some people say 20 per cent.; some say 25 per cent.; some people say 18 per cent., and so on; whatever ratio is fixed, the balance above that, so to speak, the difference between that new value of the rupee and the value that it had previously, will be lost.

2240. (*Mr. Courtney.*) Is it not lost already, or do you mean that the chance of recovery is taken away?—The chance of recovery would be taken away; you may put it in that way, I think.

2241. Practically there is a present loss, but there is a chance of recovery?—The excess is not available at the present time; under the present arrangements it is just as much lost as when you have a fall of

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exchange at any time; you lose for the moment; if you are in a bank your securities fall, you lose so much, but you know, perhaps, that at the fall of the year or in the spring you will gain it again; the loss is quite true for the time.

2242. What you mean is, that a person to whom a certain quantity of rupees is due every year might object to have those permanently fixed at 1*s.* 6*d.*, because, if left alone, he might hereafter get 2*s.*?—Whether he would hereafter get 2*s.* or not depends on the course of the future. Of course, I do not prophesy.

2243. That is the confiscation that you talk about?—The confiscation that I talk about is that the new device would close the door.

2244. (*Chairman.*) Besides that, the holder of any silver in India at present, of which we are told there are considerable stores, can turn it into rupees. If the closing of the mints, as is suggested, not only fixed but raised the rupee, and at the same time depresssed the value of silver, that would seriously affect those who hold silver in India?—That would seriously affect the whole of the silver bullion in India, certainly. Besides that, there is a very important objection to these devices, namely, that they would create a vast inconvertible token coinage, an objection which is obvious. Then, finally, what I particularly think about them is the political danger, that they would do all I have anticipated in an impalpable, mysterious sort of way—a way that would be quite unintelligible to the ignorant masses, who would be perplexed by this fall in the value of their produce, this alteration of values throughout the country, without knowing exactly to what to attribute it; and that, therefore, there would be a vague feeling of uncertainty and of apprehension as to the future which might become extremely serious, and might lay the seeds of an universal discontent which might bear fatal fruit whenever a national crisis afforded the opportunity. We should then find, as we did in the time of the Mutiny, that, for some mysterious reason or other, whole provinces of the country were disaffected, they did not exactly know why. I wish to add, with regard to the customs, that it undoubtedly is a reserve which might be resorted to in an imperial emergency, and under such an emergency public opinion in England, and the House of Commons' resolutions, would be no longer any obstacle, and the protective argument probably would not be scrutinised very closely; therefore, I do look upon the customs a a reserve, but only a reserve of an imperial character.

2245. (*Mr. Courtney.*) I suppose you have considered the possibility or impossibility of taxing tobacco?—Oh, certainly, yes. Tobacco has been looked into as a reserve almost oftener than sugar, and it has been found to be quite impracticable to excise it, because tobacco can be grown everywhere, every peasant can grow it in his back garden, I was going to say in his cottage window, so that no army of excise officers that is conceivable could ever levy anything upon that. It is infinitely more difficult to look after than opium production, and that is not such an entirely easy matter. It is only by having the opium production in large tracts and territories specially devoted to it that we are able to control it. Even in tracts where opium is not grown, it is most difficult to work a system of licensed vendors, because the vendors sell illicitly acquired opium, as well as that issued to them by Government. Much more would it be difficult to control licensed vendors of tobacco, when it could be grown in every corner of the place. The tobacco question in particular was very well looked into by a Commission in, I think, the year 1877 or 1878, of which Mr. Bazett Colvin was the chairman. I have no doubt it was reported home to the Government, but all sources of Indian revenue that had ever been suggested were examined by that committee, which was a very competent and comprehensive committee, and the result was that none of them could be resorted to with any hope of practical success.

2246. (*Sir Reginald Welby.*) If a deficit has to be met, there is one other alternative about which I should like to ask you, of course the alternative of the reduction of expenditure. Do you think that the Indian Administration has reached its limit in that respect, and that, if a deficit has to be met, there would be no means of reducing actual expenditure?—I should suppose it would be so. I cannot now conceive what possible reduction could be made. I take it that we cannot think, at this time of day, of touching the army. We have, for most excellent reasons, within the last five years increased the army, both European and native, although not in a ratio as high as the Government of India would have considered indispensable to defend our new conquests; that is to say, the increase which has now been effected is one which was calculated to apply to the Empire before the conquest of Burmah. We have now got Burmah to defend, over and above what we had to defend when that increase of the army was recommended. Then, as to civil expenditure, we have about every five years proceeded to milk the cow as dry as we could. There is a process in India, of which you are well aware, of renewing the provincial contracts every five years or so; and what is done at each renewal is to examine all the sources of revenue and the sources of expenditure, to take from the provincial governments a very large amount of the improvement, and to start them afresh, with an allowance for expenditure if anything very little increased over where they started before, with the fresh stimulus of making as much money and improving their revenue as far as they can during the coming five years; I think that is a pretty fair explanation of that process.

2247. (*Chairman.*) And sometimes they rather unduly curtail the expenditure for necessary things, do they not? Was not a bridge washed away somewhere, and not replaced?—Well, in present difficulties it does not do to enlarge upon what is wanted; but I have not the slightest doubt myself, for instance, having been five and a half years Public Works Member, that road repairs throughout the country and repairs of public buildings have been stinted and starved to a degree which is not economical. During so many years, when I had occasion to make the public works budget, there was generally a list sent up to me of about 5,000,000*l.* worth of local works, civil buildings, main communications, such as that bridge that your Lordship referred to, civil buildings, such as court-houses and educational buildings,—all projects which had been finally accepted by local governments to come on to the list after rejecting a very large number, though previously, perhaps, the local bodies would reject five out of six of what came before them. This well-sifted list used to come up to me showing what the demands of every local government were, and then the question used to arise whether one could find some 300,000*l.* or 400,000*l.*, perhaps at the most, possibly less, to be given out to these unfortunate governments for perhaps one or two out of their list of 20 or 30 works each.

2248. But that might probably be to some extent met by the suggestion that some of these works might be treated as proper to be placed to capital account, and not revenue?—Very possibly that bridge might have been so built.

2249. (*Sir Reginald Welby.*) But we have been rather assuming that an increase of taxation is necessary, if more money is required. I was anxious to get from your experience what your view is, how far economy is possible; but I think I gathered from you at first that there is a certain amount of expenditure now charged to revenue, which you think might be carried to capital account in accordance with sound finance. In that case, what I would ask you is, if a deficit, which I do not understand has yet arisen, if a deficit arose, would you not in the first place, before going to increased taxation, or to what you called the devices of currency, begin at all events by considering whether some of your expenditure could not be transferred to capital account, and the deficit thus avoided?

—If it were simply an ephemeral deficit caused by some special circumstance, supposing we had had a little war at the frontier which had run off with three quarters of a million or something of that kind, I should certainly advocate that course, if I were myself Finance Minister. I would have taken that course after the conquest of Burmah, and I would take it again, in such circumstances, if I were at liberty to do so; that course was recommended in that particular case, and was negatived by Her Majesty's Government. But I must frankly say that I would not resort to it in a case of this sort. I am not prepared to say without sitting down for a day and taking out the figures, but I do not think it could give more than three-quarters of a million a year which you could prudently and judiciously take out, because there is always danger in permitting local governments to debit to capital. We have seen in the United Kingdom that local loans have a tendency to increase.

2250. You may take my question, that it is only to avoid a deficit?—Well, I quite understand. To avoid a temporary deficit of such a character as we have had at times in India, where it appears that you are wrong half a million on ordinary income or ordinary expenditure, then I would resort to it; but in a difficulty such as this, due to silver, where you might take this three-quarters of a million, and you might take, say an extra million and a half on salt, and you might take an extra million and a half on customs, and put the three together, and make up, say, three and a half to four millions, and yet not get out of it, I should think it would be quite futile. I should not think it would be financially prudent to give up these last reserves, in order to deal with this currency question.

2251. I do not understand that the currency question has risen to anything like that at the present moment. I do not understand that there is a deficit—at present, is there?

2252. (*The Secretary.*) The position is this: the present budget is made on an estimate of 1*s.* 4*d.*, and it is actually coming out at a little over 1*s.* 3*d.*, and that means a deficit of a million and a half, or something like that.

2253. You have not had it yet?

2254. (*The Secretary.*) No, we cannot tell.

2255. You had not a deficit last year?

2256. (*The Secretary.*) No, it has not yet occurred.

2257. I do not think any financier would think of raising these large sums that you spoke of, for a deficit which has not occurred. It is quite difficult enough to provide for the existing wants, without raising money for wants that have not yet arisen?—It may be true that the deficit has not arisen; I do not see the drawings from month to month and total them out, but there will certainly be no surplus; it must be evident to anyone who is in any way connected with the matter that there can be no surplus in the present year, and possibly may be a deficit; still, I know nothing except some general measure which will prevent silver going down to I do not know where, and therefore to resort to these reserves, or to begin debiting a million to capital to stop a gap which is from my point of view unstoppable, would, I think, be financially very imprudent. You had better keep that resource for some other occasion. If you could stop the currency difficulty by a million or two millions, well and good, there might be a reason to do so; but, if you have no prospect of doing that, I would not resort to any of these important national reserves, merely for the purpose of meeting a deficit of two millions, we will say, next year.

2258. (*Chairman.*) But, if silver continues to go down, and if gold prices do not go down to a corresponding extent, so that the producer would receive more rupees although silver has fallen, are there not some branches of the revenue which would profit by such a state of things? The land revenue is a fixed amount, there would be no profit there; but take railways?—Well, there is a little profit. There, perhaps you are going to a new region of discussion. We then get into the question whether a low exchange is beneficial to exports or not, which is a very long journey to go. If it be true that the increase of railway receipts is mainly owing to the increase of exports, and the increase of exports is owing very largely to the extension of railways, then the railway revenue would no doubt improve like other revenue, but it would improve in proportion to the capital you found for new railways. That is the main cause of improvement.

2259. But, the more rupees that were received for produce, the more people could afford to pay for their transport?—There we go into the question of—Will they get more rupees? You see we get a little deeper there. As far as I can make out, if the exchange goes down to 1*s.* 2*d.*, the deficit next year ought to be 3,000,000*l.* Well, that would absorb the whole of these reserves I have been talking of, and I suppose we may see 1*s.* 2*d.* any day, and after that I think it is about 1,000,000*l.* for every halfpenny, so at 1*s.* 1½*d.* we should want another 1,000,000*l.* from somewhere. Absorbing the reserves is not a real remedy.

The witness withdrew.

Adjourned.

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At the House of Lords, Westminster, S.W.

NINTH DAY.

Saturday, 17th December 1892.

PRESENT:

THE RIGHT HON. LORD HERSCHELL, THE LORD HIGH CHANCELLOR, THE CHAIRMAN, PRESIDING.

THE RIGHT HON. LEONARD HENRY COURTNEY, M.P.
SIR THOMAS HENRY FARRER, BART.
SIR REGINALD EARLE WELBY, G.C.B.
MR. ARTHUR GODLEY, C.B.
MR. HENRY WATERFIELD, C.B., *Secretary.*

Mr. J. Beaton.

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MR. J. BEATON called in and examined.

2260. (*Chairman.*) You are the manager of the London and Brazilian Bank, Limited?—I am the managing director.

2261. You are well acquainted with the currency conditions in Brazil, and generally with the condition of the commerce of that country as regards its exports and imports?—I think so.

2262. The currency in Brazil at present is an inconvertible paper currency?—Yes.

2263. On a gold standard?—I will state very briefly the history of the paper issues of Brazil. Their inconvertibility, so far as regards the Government notes, dates back to 1835. In 1846 the gold valuation was re-adjusted, and the sovereign was made a legal tender for Rs. 8.890, thus making the milreis worth 27*d.*, which is the present par of exchange.

2264. (*Sir Thomas Farrer.*) The milreis; is that a silver coin?—Yes. About 1850, the present bank of Brazil received the privilege of emission in certain districts for twice the amount of its metallic deposit. Those notes were convertible until 1864 into gold or Government notes, on presentation.

2265. Those were convertible into gold?—Either gold or Government notes, at the option of the bank. The Government notes have never been convertible.

2266. But the Government notes were based upon a silver coin?—Their face value is so many milreis. In 1864 specie payments were suspended, and the notes of the banks became inconvertible, like those of the Government, and so remain.

2267. Both inconvertible?—Yes. Between 1849 and 1863, the year preceding the decree of inconvertibility, gold was coined in Brazil to the value of 3,868,655*l.*, and silver to the value of 1,274,227*l.* Nearly the whole of that gold coinage has disappeared out of the country, a large proportion of it being now current in the River Plate, where there is a fixed legal value for different foreign coins. The circulating medium in Brazil has for a long time been the paper money.

2268. (*Chairman.*) And how is the amount of that regulated?—By Parliament; and, in case the Government should, under exceptional circumstances, have to increase the amount during the recess, it would have to be approved of by the Chambers; a bill of indemnity would have to be obtained.

2269. That is to say, they would approve of a certain fixed addition to the amount of notes?—Yes.

2270. What was the guiding principle which led to the addition; was it any established want, or what dictated it?—An established want doubtless influenced the privilege of issue to the Bank of Brazil, and extraordinary deficits in the Budgets the additions to the Government issue.

2271. (*Mr. Courtney.*) You would scarcely call that an established want, would you?—No, an ascertained want.

2272. Still, they squared the budget by issuing notes?—Not as a rule.

2273. Borrowing money and issuing notes?—Both foreign and internal loans have also been resorted to. In order to show the amount of paper money current in comparison with the trade of the country at different periods, I will refer to their respective totals for the years 1864 and 1888. In 1864 the Government issue was 2,909,400*l.*, and the banks' issue was 7,064,900*l.*, totalising 9,974,300*l.* In 1888 the two amounts represented 20,500,000*l.*, having been practically doubled. The value of the exports in 1864 was 14,106,800*l.*, and in 1888 they were 21,259,000*l.*, and the imports in 1864 were 13,174,600*l.* against 26,099,000*l.* in 1888; but 1888 is rather an unfortunate year to choose for the comparison so far as regards the exports and imports, for there happened to be a small coffee crop, and it is, therefore, better to take the preceding year, 1887, when the respective totals were, exports 23,706,000*l.*, and imports 20,723,000*l.*

2274. (*Chairman.*) The amount of the currency being about the same?—The amount of the currency being double.

2275. Being about the same in 1887 as in 1888?—Yes.

2276. (*Mr. Courtney.*) What are those exports and imports valued in?—In milreis.

2277. In the currency?—Yes, and I have converted it into sterling, in all the amounts mentioned, at 24*d.* per milreis.

2278. But are you taking into account the relative depreciation in the two periods?—The exchange in 1864 ranged from 25⅜ to 27¾, and in 1888 from 22¾ to 26⅝; there would not, therefore, be a very material difference, about 7 per cent.

2279. (*Chairman.*) So that this doubling of the amount of the currency had not led to a depreciation of the milreis?—No, and notwithstanding the foreign and internal debts had increased very considerably; the external debt from 7,771,000*l.* in 1864 to

28,500,000*l.* in 1888, and the internal debt from 8,000,000*l.* to 43,500,000*l.* This expenditure was chiefly owing to extraordinary expenses incurred in the Paraguayan war, which cost the country 61,000,000*l.* sterling, and in connection with the famine in the northern provinces from 1877 to 1879.

2280. That would about represent the addition to the debt ?—Yes.

2281. (*Mr. Courtney.*) What would be the denomination of the issues ?—Of the notes ?

2282. Yes ?—They are 500, 200, 100, 50, 20 milreis, and so downwards to one milreis.

2283. And what proportion of the total would be in the higher sums ?—I should think the larger proportion would be in the smaller denominations.

2284. The higher sums would scarcely make part of the effective currency ?—Not as regards the general public, but they are much used in commerce.

2285. (*Sir Thomas Farrer.*) And what is the lowest note issue ?—The half-milreis.

2286. (*Chairman.*) Does any silver circulate there, or are the small amounts entirely paid by means of paper milreis ?—Nearly the whole of the silver has disappeared; it is, I believe, chiefly hoarded. The great want for many years was small change.

2287. (*Mr. Courtney.*) Is there no token, or anything below a milreis ?—Yes, the Government issues 500 Reis notes, and there are nickel and bronze coins representing 200, 100, 40, 20, and 10 Reis.

2288. Do postage stamps or anything of that kind circulate ?—Not since the introduction of the coinage I have just mentioned.

2289. (*Chairman.*) Is there any traceable connexion between the amount of the exports and the depreciation of the milreis ?—The exports are always increasing, notwithstanding the depreciation of the currency.

2290. Yes, but do they seem to increase more rapidly when the sterling exchange is lower ?—Not rapidly, for a new coffee plantation does not yield much coffee under four or five years; but a low exchange certainly stimulates production.

2291. (*Mr. Courtney.*) There has not been much variation for 20 years apparently ?—No.

2292. In the depreciation of the milreis ?—Oh dear me! yes.

2293. I thought you said——?—I was comparing the quotations with that of 1888.

2294. From 1864 ?—With 1864; now it is only 13½*d.*

2295. But from 1864 to 1888 ?—Between 1864 and 1888 there were great variations; it fell as low as 14*d.*, and rose to 28⅜*d.*

2296. It left off in 1888 very nearly the same as it was in 1864 ?—Very nearly the same.

2297. (*Chairman.*) I see it went down between 1865 and 1869 to 14*d.* at one period; was that the time of the Paraguayan war ?—Yes.

2298. That was an exceptional period ?—Yes; and, as the depreciation of the exchange did not follow an increase of the inconvertible paper, there must have been some other cause for the depreciation at this period. That cause was the constant and heavy demand for sterling bills, in consequence of the large purchases of war material and the expenses of the army in the field having to be paid in gold. It is generally assumed that, the larger the amount of inconvertible paper which a country has, the larger will be the depreciation of its sterling exchange, but that was not the case in Brazil.

2299. (*Mr. Courtney.*) Other things being equal, people would say.

2300. (*Sir Thomas Farrer.*) Then was there no depreciation when there was the large increase of the notes ?—No.

2301. There was not ?—It is shown in the statement which Lord Herschell has in his hand, that in 1869, when the paper money was increased 47 per cent., viz., from 12,468,000*l.* to 18,322,000*l.*, the exchange showed an advance of about 11¾ per cent.; and there is this most remarkable fact, that on three occasions, namely, in the years 1865, 1875, and 1889, this inconvertible paper currency was appreciated over gold from one to five per cent. In the year 1889 the sterling exchange touched 28½ pence, or 1½*d.* over par, so that sovereigns could have been sent to Brazil and invested at their legal tender value in sterling remittances with a very substantial profit.

2302. (*Chairman.*) I see that from 1870 to 1874 the paper currency was 18,309,000*l.*, whilst from 1875 to 1879 it was 21,691,000*l.*, an increase of between 3,000,000*l.* and 4,000,000*l.* ?—Yes.

2303. Between 1870 and 1874 the exchange ruled between 19⅝ and 27, and 1875 to 1879 between 19⅛ and 28⅜ ?—Yes. That is one of the years when it was over par. Referring to my opinion that a low exchange tends to increase the exports, I should mention that, the exports and imports being dealt in on a sterling basis, viz., the quotation in the *consuming* and *supplying* countries, their currency values are largely affected by the fluctuations of the exchange, say the sterling value of the inconvertible paper milreis. For instance, coffee quoted in London at 72*s.* per cwt., which includes about 15*s.* 10*d.* duty and charges, would realise, more or less, to the producer in Brazil Rs. 49.930 at 13½*d.* exchange, and only Rs. 24.965 at 27*d.*

2304. But have the payments which the producer would have to make changed in the like proportion, or not ?—No.

2305. That is to say, what he has to pay for wages and other cost of production ?—No, and I do not think that free labour is really more costly than slave labour used to be. Of course, it requires the use of a much larger amount of the circulating medium.

2306. (*Sir Thomas Farrer.*) To pay wages ?—Yes; and the hoarding of the labourers retires a considerable amount of currency from circulation. Except at the ports and a few large inland towns, there are no banks.

2307. (*Chairman.*) When was the abolition of slavery ?—It was decreed in May 1888.

2308. (*Mr. Courtney.*) There had been decrees before that ?—Yes.

2309. Prospective decrees ?—Yes, the most important one was in 1870, declaring freedom from birth.

2310. What would be about the wages of labourers on a coffee plantation ?—From 1½ to 2 milreis a day. Wages have risen recently, in consequence of the increased cost of the necessaries of life.

2311. Necessaries have gone up, and wages have gone up ?—Wages have gone up.

2312. So that there has been a difference to the producer in consequence of the decline in the exchange ?—Certainly.

2313. (*Chairman.*) But did that rise in wages and necessaries correspond with the fall of exchange ?—Not at first, but when the fall became pronounced, about 18 months ago.

2314. Do you think it is conceded to an extent corresponding to the extent of the fall in exchange, and the amount therefore of extra milreis which the producer receives ?—No, I think that the gain represented by the fall in the exchange is far in excess of the rise in wages.

2315. (*Sir Reginald Welby.*) Has the cost of production which might be increased by this increased rate of wages been at all counterbalanced by railway facilities in bringing the coffee to the coast ?—I do not quite understand.

2316. As I should gather, as the rate of wages has gone up, the cost of production of the coffee has gone up ?—Yes.

2317. Has that been at all counterbalanced by the extension of railways which enable the coffee for export to be brought down to the port at a lower cost ?—Yes; the production of coffee has undoubtedly largely increased, and will still further increase from the fresh land which has been brought under cultivation.

2318. Owing to the facilities ?—Owing to the greater facilities of communication, and also the direct

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influence of the larger currency value at a low exchange.

2319. (*Chairman.*) The cost of imports from gold countries has, I presume, increased in the currency of Brazil as the exchange has fallen?—Yes.

2320. And from silver countries also?—Yes, the prices, as I have mentioned, are fixed on the sterling prices of the supplying countries, and consequently the equivalent to be paid in Brazilian currency would increase at a low exchange.

2321. (*Sir Thomas Farrer.*) Sterling seems to be the standard to which you refer everything in Brazil?—So far as regards the exports and imports.

2322. (*Chairman.*) How has the Government of Brazil been affected as regards the interest on its external debt by the depreciated currency?—To a certain extent unfavourably, by having to provide a larger amount of currency for the service of the debt; but, the revenue of Brazil being largely derived from the Custom House duties, the loss is not so large as might be supposed.

2323. (*Sir Thomas Farrer.*) The Custom House revenue is received in gold?—No, in currency; and the Government collects a larger currency amount for duties at the depreciated exchange than it would do if the exchange were at par; thus, in the instance of the return to the producer of one cwt. of coffee at 13½*d.* and 27*d.* exchange, the Government would collect duties of Rs. 5.425 at the former rate, and only Rs. 2.710 at 27*d.*, but both amounts equal 6*s.* 1*d.* at the respective exchanges.

2324. The duties are *ad valorem*?—Yes, on exports; and mainly on imports.

2325. (*Mr. Courtney.*) How about the railway companies, do they not have to pay interest in gold upon their debts?—Of course, railways that are working without a sterling guarantee have to suffer for they cannot increase their tariffs sufficiently to make up for the existing depreciation, and therefore they have to bear a very heavy loss, like the St. Paulo Railway, for instance.

2326. A railway company which depends upon its receipts, and is not backed up by subvention, is put in a difficulty by its gold debt?—Its profit is lessened.

2327. (*Sir Reginald Welby.*) Still the St. Paulo Railway keeps up a very good dividend?—Yes, but they would do better with a higher exchange.

2327*a*. I noticed the Chairman referred to the very large loss which they had to bear, but still they keep up a very good dividend.

2328. (*Chairman.*) Yes; but is it possible that, but for the fall of exchange, they might not have been able to carry as much traffic at as high rates?—I think it very probable that, if exchange we will say was at par, they would have to reduce their freights, and therefore might not show such large traffic receipts; but this loss would be more than compensated by remitting their profits at the higher exchange.

2329. Notwithstanding the inconvertible paper currency, has the credit of Brazil been good and the country prosperous?—For many years past, Brazil has very justly enjoyed a high credit abroad; the country has prospered, and its resources have been steadily developed. Unfortunately, soon after the declaration of the Republic, banks of issue were authorised most recklessly, with the result that the banks' issues on the 31st December 1891, amounted to 32,000,000*l.*, being an increase of 30,000,000*l.* in less than three years. This enormous addition to the currency fostered the wildest speculation, which included the establishment of innumerable industrial companies and the acquisition of foreign companies on very onerous terms. The payments for these purchases, and the large quantity of foreign material ordered by the industrial companies, caused a large demand for sterling remittances in addition to the ordinary import requirements. The natural result was a continued fall in the exchange, which was subsequently intensified by withdrawals of both foreign and native capital from the country.

2330. Why did not the Government increase its issues, if further issues were necessary, rather than permit these large issues by the banks?—The original scheme was to provide for the gradual withdrawal of the Government notes, and the restoration of specie payments; but it became impracticable by subsequent mismanagement and concessions to individual interests. The present Government, being very desirous of restoring confidence, proposed recently to become responsible for the banks' issues, to change the notes for the Government notes, and to arrange for the withdrawal of 10,000,000*l.* thereof within a year. Parliament, however, refused its consent.

2331. The effect would have been, not to substitute gold for the inconvertible paper, but the Government inconvertible paper for the bank inconvertible paper?—Yes, and to reduce the amount outstanding.

2332. Is there any other point?—I believe not. I think it is evident that the larger value received by the planters from their produce with a low exchange must tend to stimulate production.

2333. (*Sir Thomas Farrer.*) To develope the export?—Yes.

2334. (*Chairman.*) You here give the balance of imports over exports, and exports over imports; have you the means of giving us the exports and the imports?—I did not like to trouble you with too much detail, but I could give the return for each year.

2335. (*Sir Thomas Farrer.*) Could you give us exports and imports, and alongside of it the quantity of the currency, and the rate of exchange?—I could give you for each year what I have put into a quinquennial period.

2336. (*Chairman.*) Probably the quinquennials might be enough, only you give us only the balance of exports over imports; could you give us for each quinquennial period the exports and imports, and not merely the balance?—Yes, and I will have the same table prepared for each year.

2337–8. That is what we should like; but this only goes down to 1888; could you bring it down later?—I fear the usual official returns have not been compiled since 1888.

2339. (*Sir Thomas Farrer.*) The statistics are not trustworthy?—They have not been published. I will give you all the returns which I think can be taken as correct, but I am afraid they will only be approximate.

2340. (*Mr. Courtney.*) You spoke of gold having gone out of circulation, and being taken to the Plate?—Yes.

2341. Is not the currency at the Plate also inconvertible paper?—Yes, as regards Argentina; but accounts are also kept there in gold, on the basis of its legal tender value.

2342. But gold at the Plate would occupy the same position as in Brazil; it would be no part of the currency; it would be just as a valuable commodity?—As a valuable commodity in Argentina, and would be sent there if the exchange favoured the remittance; but in Uruguay specie payments are maintained, and foreign gold coins form part of the currency at their fixed legal tender value.

The witness withdrew.

Statements furnished by Mr. Beaton, *see* Answers 2335–9.

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EXTRACT from Senator Dr. Liberato de Castro Carreira's Historia Financeira &c., do Imperio do Brazil.

Year.	Official Values of		Balance of Exports relative to Imports.		Exchange.		Paper Currency.	
	Exports.	Imports.	Surplus.	Deficit.	Lowest.	Highest.	Description.	Total.
	£	£	£	£	*d.*	*d.*		£
1840	4,167,100	5,772,700	—	1,605,600	30	32	Government	4,019,959
1841	3,908,400	5,604,000	—	1,695,600	28¾	30½	„	4,368,911
1842	4,103,900	5,063,900	—	960,000	24¾	27	„	4,652,099
1843	4,380,000	5,528,900	—	1,148,900	„	25¾	„	4,826,749
1844	4,705,400	5,722,800	—	1,017,400	24½	26	„	5,037,963
1845	5,363,000	5,219,300	143,700	—	25⅛	28¼	„	5,066,847
1846	5,244,900	5,574,000	—	329,100	27¼	29	„	4,878,390
1847	5,792,500	4,734,900	1,057,600	—	24¼	28	„	4,780,222
1848	5,628,900	5,156,900	472,000	—	„	28⅛	„	4,753,161
1849	5,503,200	5,916,500	—	413,300	26¾	28	„	4,688,406
1850	6,778,800	7,691,800	—	913,000	27½	30⅛	„	4,668,406
1851	6,664,000	9,286,000	—	2,622,000	27½	30¼	„	4,668,431
1852	7,364,400	8,733,200	—	1,368,800	28¾	30¼	,	4,668,431
1853	7,684,200	8,583,800	—	899,600	27½	29½	„	4,668,431
1854	9,069,900	8,517,100	552,800	—	26½	28¼	Govt. & Bank	6,222,350
1855	9,443,200	9,277,800	165,400	—	27	„	„ „	6,775,567
1856	11,455,300	12,535,100	—	1,079,800	26⅞	„	„ „	8,582,077
1857	9,624,600	13,044,000	—	3,419,400	23½	28	„ „	9,521,635
1858	10,680,500	12,772,200	—	2,091,700	22¾	27	„ „	9,256,921
1859	11,295,700	11,302,700	—	7,000	24¼	26⅞	„ „	9,587,309
1860	12,317,100	12,372,000	—	54,900	24½	27¼	„ „	8,799,086
1861	12,071,900	11,053,100	1,018,800	—	24¼	26¾	„ „	8,201,196
1862	12,247,900	9,917,200	2,330,700	—	24¾	27⅝	„ „	7,906,374
1863	13,056,500	12,568,500	488,000	—	26⅝	27⅞	„ „	8,172,324
1864	14,106,800	13,174,600	932,200	—	25⅜	27¾	„ „	9,951,373
1865	15,701,700	13,777,700	1,930,000	—	22⅓	27¼	„ „	10,064,903
1866	15,325,300	14,500,200	825,100	—	22	26	„ „	11,286,308
1867	18,527,000	14,061,100	4,465,900	—	19¾	26⅜	„ „	11,716,025
1868	20,772,300	16,851,000	3,921,300	—	14	20	„ „	12,468,620
1869	20,023,500	15,568,700	4,454,800	—	18	„	„ „	18,322,476
1870	16,694,900	13,726,400	2,968,500	—	19⅝	24½	„ „	19,252,687
1871	19,341,800	15,831,800	3,510,000	—	22	25⅞	„ „	19,180,561
1872	21,589,300	15,673,000	5,916,300	—	24	26¼	„ „	18,880,674
1873	19,008,300	16,081,500	2,926,800	—	25¼	27	„ „	18,501,078
1874	20,557,900	16,248,400	4,309,500	—	24¾	26¾	„ „	18,309,475
1875	18,392,800	16,620,900	1,771,900	—	26¾	28⅜	„ „	18,186,869
1876	19,633,800	15,507,300	4,126,500	—	23¾	26¾	„ „	17,942,172
1877	18,558,100	16,018,700	2,539,400	—	23	25¼	„ „	17,934,785
1878	21,080,400	16,531,900	4,548,500	—	21¼	21⅜	„ „	20,893,350
1879	22,192,800	17,271,400	4,921,400	—	19⅛	23¾	„ „	21,691,280
1880	12,585,100	18,100,500	—	5,515,400	20	23⅜	„ „	21,567,774
1881	20,985,100	18,225,100	2,760,000	—	20⅜	23	„ „	21,228,460
1882	19,549,800	18,586,100	963,700	—	20¼	20¾	„ „	21,228,012
1883	20,243,400	19,422,200	821,200	—	20 15/16	22	„ „	21,099,698
1884	22,626,900	17,443,100	5,183,800	—	19¼	22⅛	„ „	20,962,596
1885	19,496,100	19,750,100	—	254,000	17⅞	19½	„ „	20,786,145
1886	26,351,900	20,940,600	5,381,300	—	21 1/16	23⅝	„ „	21,358,258
1887	23,706,200	20,723,300	2,982,900		„	„	„ „	20,229,166
1888	21,259,200	26,099,800	—	4,840,600	22¾	26⅝	„ „	20,528,036

APPROXIMATE VALUE of the EXPORTS OF BRAZIL, and the AMOUNT of the INCONVERTIBLE PAPER CURRENCY for the years 1889 to 1892, converted into Sterling at the Exchange of 24*d.* per Milreis. (1 Conto = 100*l.*)

Year.	Exports.	Extremes of Exchange.	Paper Currency.
	£		£
1889	26,206,000	24⅛ . 28⅛	18,674,800
1890	31,222,200	20⅜ . 26⅜	30,202,900
1891	48,789,600	10⅝ . 21⅝	51,372,700
1892	64,822,300	10¼ . 15¾	51,372,700

EXPORTS OF COFFEE from RIO DE JANIERO and SANTOS for the 12 Months ending 30th June in the Years 1889 to 1892, and its Approximate Value in Currency.

Year.	Tons.	Currency Value in Contos.	Sterling Value at 24*d.*
		Reis.	£
1889	373,183	196,968	19,696,800
1890	265,388	178,822	17,882,200
1891	316,910	262,333	26,333,300
1892	429,581	441,850	44,185,000

NOTE by Mr. Beaton.—The statement of the approximate value of the exports of Brazil for the four years 1889–92 has been compiled, in the absence of official returns, with considerable trouble; but I believe the totals to be substantially correct, certainly not over-estimated. As regards the main products, viz., coffee and indiarubber, there are very reliable private sources of information; and I have given the actual figures as concerns coffee exports from Santos and Rio de Janeiro. About imports I have been unable to obtain any reliable data for even an approximate estimate.

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Mr. DADABHAI NAOROJI, M.P., called in and examined.

2343. (*Mr. Courtney.*) You have paid attention to the exchange and currency questions in India?—Yes, some attention.

2344. You hold two aspects should be taken into consideration?—Yes.

2345. Will you say what are those two?—Political and commercial.

2346. What do you mean by the political aspect?—The foreignness of the rule which introduces new elements disturbing the economic condition of the country, and, to take it practically, it has under certain circumstances, rightly or wrongly, to send here in gold, whether it will or no, 16,000,000*l.* or so, I think, for what are called the home charges. This all arises from its political condition.

2347. India is not absolutely unique in having to pay a large sum to foreigners or to outside persons in respect of charges?—If they are all free commercial transactions, such as loans in which they themselves have their voice, so far they are the self-governing countries' own transactions; but, when India itself has no voice in its financial condition altogether, and a large foreign service necessitates the payment which deprives the people of the country itself of so much occupation and of their produce, the conditions of a country like India are very much changed as compared with any free self-governed country.

2348. The distinction you draw between India and Brazil is that India is governed by outsiders, and Brazil is not?—Yes.

2349. And that affects the question of exchange?—It affects it in this way, that, as far as the commercial transactions between Brazil and any other country may be concerned, they entirely depend upon their necessities of commercial transaction, but with India there is one portion which affects India entirely politically. If we come to illustrations, we will see it more clearly.

2350. (*Sir Thomas Farrer.*) Which portion is that?—The home charges, as far as the question of exchange is concerned. I take that only as one result.

2351. You only take the home charges?—I am only taking the home charges, because these cause the particular loss, which at present is what is called the loss of exchange.

2352. And do you include in the home charges the interest upon debt?—The interest upon debt, also the interest for railways because it has to be paid in gold. I do not want to discuss the righteousness or justice or otherwise of these charges, I am only pointing out the effect of those charges as affected by exchange.

2353. I was going to ask you, what do you consider to be the difference between the interest paid by India upon her debt for railways and the interest paid by Australia on her debt for railways, for no doubt both pay large interest to this country?—Certainly, and I have no objection to paying that interest as far as it is in the natural way. Australia and India would be alike, supposing the Australian Government borrowed in gold, while even its currency was also silver. Neither Australia nor India would save its loss from fall in exchange, by mere change of their currency from silver to gold. And that is the point we are considering. The important difference politically is that Australia has its people's consent, while India is helpless and voiceless in all burdens put upon her; and, moreover, that, out of the earnings, a large portion, above Rs. 10,000,000, are first taken up by foreign European directions and service, which is not the case with Australia. It must also be remembered that, out of the 16,000,000*l.* home charges, interest on railway loans is only 6,000,000*l.*; the rest, 10,000,000*l.*, is mostly owing to India's political condition.

2354. (*Mr. Courtney.*) Well, now, you have an opinion that the adoption of a gold currency in India would not affect the loss to the people of India arising from the fall in exchange?—No.

2355. Will you explain that?—Yes. The whole loss arises from the necessity for Government to remit this 16,000,000*l.* in sterling from India, so the problem is simply this: whatever may be the currency in India, the Indian people or the Indian taxpayer must remit 16,000,000*l.* worth of gold sterling pounds, and that they can remit only in the shape of produce. Whatever may be the currency, this produce must be worth 16,000,000*l.* gold sterling; and therefore, whatever may be the currency, I say there will be no saving whatever to the Indian taxpayer in this remittance, except so far as gold goes up or goes down.

2356. Does it not follow also that there has been no loss?—Oh, the loss is there, because they are obliged to send more produce to meet the higher value of gold. Suppose the gold were again to go back to its value, as it was in 1873 or 1872, India would not be obliged to send so much produce as it sends at present. It was then sending about sixteen crores' worth of rupees of produce or so, a particular quantity, and now it is obliged to send nearly double, because, roughly speaking, gold has appraised nearly double in its value.

2357. Well, but has the produce fallen in its gold price?—The produce falls in its price in its gold value; as gold goes higher, gold will buy more produce for the same quantity than it did before, and that produce must be supplied by the Indian taxpayer.

2358. But, if a change in the future will produce no gain to the Indian taxpayer, why has a change in the past produced a loss to him?—No, the change will produce gain or loss to the taxpayer in the future, as it has in the past, according to the depreciation or rise in the value of gold.

2359. I thought I understood you to begin by saying that a change in the currency would produce no change to the taxpayer?—A change in the currency will produce no effect on the loss as far as the 16,000,000*l.* are concerned. It is a change in the value of gold that alone will save India, or will make her loss so much the greater. Silver or any currency, be it iron, silver, or anything, will have nothing to do with it. A certain quantity of produce must be sent here that will buy, at the value of gold, 16,000,000*l.* sterling. That is the whole question in a nutshell.

2360. Are you of opinion that 16,000,000*l.* in gold represents a real difference now from what it did formerly?—In what way? I do not understand the question.

2361. Well, does it command more commodities?—Yes.

2362. Well, but are you sure about that?—Yes.

2363. I do not mean more silver; it commands more commodities?—It commands more commodities; it has a higher exchangeable value, whether with silver or produce.

2364. I am not talking about exchange; that is the relation between gold and silver?—Yes, it comes to the same thing.

2365. Between gold and the Indian standard, but we are talking of gold in relation to commodities generally. Does a tax of 16,000,000*l.* of gold represent a greater charge now than it did formerly?—Yes.

2366. Not considered in silver?—No, in produce.

2367. Will you explain on what ground you base that opinion?—The price in India is measured by silver; silver is the standard.

2368. But I thought we were going to get rid of the question of silver altogether?—Yes. Then it comes in as a measure in the process, and that is the reason why I introduce it; otherwise, the very fact that, as gold rises in value, produce produces less gold, otherwise there will be no rise in gold in value if there is no fall in the price of produce.

2369. Might there not be a rise in gold relative to silver, without a rise in gold relative to produce?—No, that is not the case now.

2370. (*Sir Thomas Farrer.*) Why do you assume silver to be a more stable standard than gold?—I do not assume silver to be a more stable standard than gold; but, when it is a standard—that is, a certain quantity of silver is a certain quantity of silver, and nothing more or less,—just as it is here—an ounce of gold is an ounce of gold according to the currency, because it is the same standard.

2371. Your case is the same for them in India as any debtor who has to pay a gold debt here?—Yes.

2372. That is to say, if the gold has become more scarce, and therefore on account of the scarcity of gold it buys a larger quantity of produce, the debtor has to pay more?—More produce, yes.

2373. But suppose the change has been in the produce, not in the gold, then the debtor will have more to pay with, will he not?—A change, not in produce, and in gold, is in itself what I cannot understand. If the one rises or the other, there is a comparative difference in their value necessarily.

2374. A man has undertaken to pay one pound in gold?—Yes.

2375. Suppose that the pounds themselves become scarce?—Yes.

2376. Then he has to pay more than he promised to pay?—Yes, on account of the rise.

2377. But suppose that he has more things with which to buy the pound, and that the pound buys more things because the things have become more abundant, then he is not injured, is he?—I do not see the supposition. The simple fact that gold has risen in value means that there must be more produce given for it, or, if it has fallen in value, there is less produce given for the same amount of gold.

2378. That may arise from a change either in the gold or in the produce, may it not?—A change in the produce from any other causes is not the question now before us; the question before us now is the relative change between produce and gold.

2379. (*Mr. Courtney.*) But, in assuming the burden that is to be borne by the Indian tax payer or indeed by any person who has to contribute these 16,000,000*l.* of gold, you must take into account, surely, whether the commodities are more easily got so as to supply the 16,000,000*l.*, or whether the gold itself is got with more difficulty so that it is harder to supply the 16,000,000*l.* Now, on which foot do you stand?—Whichever position you take up, the simple question is that there is so much gold to be provided; and, if gold has risen in value from any cause so as to require more produce, more produce must be given. As to any rise or fall in produce from other causes, that is a circumstance which is, you may call it, the luck or the fortune of the country from causes of greater supply or greater demand, and those causes have nothing to do with this circumstance whether the loss by fall in exchange will be saved to India by the change of currency, that is the point to which we must stick.

2380. You hold in fact that, if the exchange fell so that a rupee became one shilling, the amount of produce that would have to be sent over to buy 16,000,000*l.* sterling would be doubled?—Yes.

2381. You hold that to be so?—I hold that, because it is necessary that we must not mix up other causes in the consideration of this particular element.

2382. Very well, now take a step further. Suppose circumstances had so changed in India that you could get double the amount of produce at the same cost as before, owing to facilities of transit or other changes that had happened, would the burden be greater?—No, the burden would not be greater, but then it would be depriving them of their good fortune, which is the same as so much loss. If they have profited in any way——

2383. But, if the same cause that has brought about that greater supply of commodities has caused the rupee to fall to a shilling, it would not be depriving them of their good fortune, because the good fortune and the bad were inextricably connected?—Yes, but then this is a supposition which cannot be admitted in the present case.

2384. Why?—Is it the same cause, and what cause can there be? We know the cause to be clear how the abundant supply of silver has made this difference, and the necessity of India to pay in gold compels it to pay so much more produce—the same cause. If you simply take it as a hypothetical proposition, we may draw any conclusions.

2385. You talk of the abundant supply of silver. Is it the abundant supply of silver, or the scarce supply of gold?—Well, that would be a matter of figures, but there is the abundant supply of silver. In India the silver is only a rupee, is a rupee, and the price of produce, as a matter of fact, so far as my general impression goes, has not much changed. I have not been able, on account of being obliged to occupy myself in the past five months in another matter, to go into the actual change in price in India; but my general impression is that there has not been much change in the price of produce in India, owing to exchange, that is to say, as measured by the rupee by their own currency; and consequently, to make up this difference between silver and gold and to pay in gold, they are obliged to send more produce.

2386. In your estimate of the increased burden which has been thrown upon India, you do not appear to have taken into account the circumstance that a considerable portion of the debt in respect to which that burden arose was contracted under a rupee that had fallen in value?—I am not at all discussing the merits of this burden, because that is a very large question, to go into the whole political condition which has brought about that result.

2387. I have not put that question to you at all. You are estimating the amount of the burden and the increase of the burden?—Yes, as it exists.

2388. And as it would be if the rupee were at 2*s.*?—Yes.

2389. I am putting it to you then, that a good portion of that burden was contracted when the rupee was at below 2*s.*?—Well?

2390. And you have not made allowance for that?—I do not quite follow you, sir. We are now comparing the burden as it was when the rupee began to fall, and the burden as it is on account of the fall of that rupee under 2*s.*; that is the point that we are now discussing, and I think that we ought to keep to that. If we go into the other questions, that of course opens up a wide question whether such a thing was or was not. The present currency question is whether, by the introduction of gold currency in place of silver, the loss that Government is at present suffering in exchange will be saved, and that is the argument that is principally urged by those who propose the gold currency. All I want to show is that this saving, as it is supposed, will not take place. Whatever causes may raise or lessen the price of produce, independent of the necessity of sending more produce for the sake of gold, is a different question altogether, and it should not be mixed up with this. If it is India's good fortune that it can command more produce from various causes, let it have the benefit of it. It is no justification, therefore, to say that India will not lose, because it is getting more from other causes.

2391. (*Sir Thomas Farrer.*) Let me put you the question again that Mr. Courtney has put two or three times. You say that India is suffering from this fall in exchange, and you say at the same time that India would not gain by a rise in exchange?—Oh, no; I did not say so at all. Oh, no; I never said that. I said that India will gain or lose according to the value of gold; if gold fell, which means rise in exchange, of course, then India will have to send less produce, other circumstances being the same. If gold still rises higher, that is to say if exchange

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still went down, India will have to send still more produce.

2392. (*Mr. Courtney.*) Have you considered the position of the merchant trading between India and a gold country like the United Kingdom?—Yes.

2393. Do you admit that the alteration in the exchange would affect his position, and, through him, the condition of those interested in Indian trade?—Trade will not be in any way affected as far as mere exchange is concerned, so long as those changes are not very sudden, and throw the merchant out of his calculation; but then he is thrown out of his calculation in each transaction separately, and he may gain as well as lose. Supposing that this fall of exchange were to settle down to a normal condition, say, even sixpence a rupee, after that trade will go on just the same, and the merchant will not be affected in the slightest degree, because, when he enters into a transaction, he calculates his exchange, his freight, his insurance, and all the elements of his transaction, and then he says: "Well, if I can get such a price in the market where "it has to be sold, I shall get back my lay-out and "my profit"; so that exchange is simply an element of consideration and calculation at the very inception of the transaction, and it affects that one transaction only, and then its effect is quite the reverse of what is very often supposed by other people. It is generally supposed that, by the fall of exchange, the merchant or exporter benefits; but, in the way in which business is actually carried on, that is to say chiefly by drawing bills, the effect of this fall of exchange is actually the reverse, because, when I as a Bombay merchant ship 100 bales of cotton, and sell my bill of those 100 bales, or say 1,000*l.*, to the East India Bank, my price now is fixed in gold; I must get that 1000*l.*, and the fall in exchange will give me less price, and consequently I shall suffer so much loss, as I have to give so much more gold to the bank, so the result is entirely the reverse of what is generally supposed to be the case.

2394. You agree that, when the exchange is fixed, whatever the rate of exchange, then there is no difficulty?—Then there is no difficulty.

2395. But if the exchange is shifted from time to time?—Very suddenly, then only it is an inconvenience and a risk to the merchant, for or against, but the taxpayer ought not to be taxed for that.

2396. Well, it has been continually shifting for the last eighteen years?—Yes, that is owing to the fault of the United States, in trying to stop the silver-storm.

2397. Do you say that has been an injury to India, or not?—Commercially it is a matter for the merchants to take their risks, profits, or loss.

2398. That may be in the first place, but has that continual shifting of exchange from 1873 down been an injury to India, or not?—An injury to India so far as the taxpayer is concerned in the remittance of this 16,000,000*l.*; as far as trade is concerned, for the risks, the remedy does not consist in changing the currency, but in letting the silver-storm run its course.

2399. I am not asking you that question at all; I am asking you the question whether, supposing there was no external debt at all, in respect of the trade of the produce of India, has it, or has it not, been an injury to India that the exchange should have been shifting as it has been shifting since 1873?—No.

2400. Not at all?—Of course, there are immediate risks, one way or the other, to the trader; but the trade of the country need not be affected, except so far as the merchant is discouraged or encouraged to speculate.

2401. (*Sir Thomas Farrer.*) You think it has neither injured nor benefited India, as a whole?—As a whole, it cannot.

2402. (*Mr. Courtney.*) It cannot?—No; of course I am only making this exception, that in the sudden—supposes during the dependency of the transaction, a sudden fall of a halfpenny or a penny takes place, the merchant either loses or gains; as far as the people, the producer of the produce, is concerned, he is not much affected.

2403. But do you mean to say that it is quite immaterial to the regular progress of trade—to the commerce in commodities—that two countries should have two different standards liable to change, and constantly subject to change?—They may have two different standards and the natural commercial fluctuations; it is only when a storm comes that somebody or other suffers, as in the case I have given, in that written statement of mine, of the cotton-storm. While running its course, it did a great deal of harm to India just for the time, and then it settled down and the conditions became normal, and there was no more thought about it. Let the silver-storm run out the same way, and ordinary stability and fluctuations will be soon restored.

2404. Let me put this question to you, by way of clearing the matter: Supposing we got rid of gold altogether, that we in England had adopted rupees as our currency, and had got silver currency here, would that change be useful in maintaining the equable and continuous development of trade between India and England?—A change of currency here, and that change being made?

2405. The adoption of rupees?—Then it will not affect in any way the international trade between England and India.

2406. As compared with the maintenance of two standards?—As compared with the maintenance of two standards, excepting only the sudden fluctuations.

2407. You would allow that there is a little difficulty in the ordinary man entering into business transactions, from the mere transition from the one way of thinking to another?—With the sudden transitions, the sudden changes; otherwise there is none.

2408. There is none?—No.

2409. There is no difficulty in the commerce between England and France, in consequence of our having pounds and their having francs?—No.

2410. Or even of the different language?—No.

2411. (*Sir Thomas Farrer.*) Have you seen the petition of merchants of Kurrachee and some of the merchants of Bombay, in which they state that their business has been rendered so hazardous by the fluctuations that they are unable to make contracts?—I cannot say that I have read them attentively.

2412. They have been in the newspapers?—I have just read them generally; I have not had time to study these papers, but I can well understand that, on account of these sudden fluctuations, their risks are not entirely under their control, and consequently they may not like to hazard transactions.

2413. They say they cannot, either by forward contracts, or in any other way, secure themselves?—That may be, the suddenness being very great; but the remedy only is that the suddenness must be stopped, by allowing the silver-storm to run off, and not by artificial and uneconomic devices.

2414. (*Sir Reginald Welby.*) So far, that would be a hindrance to the development of trade?—So far it would hinder, that so many transactions are not entered into till the storm is over.

2415. (*Mr. Courtney.*) And you would therefore regard with complete indifference the proposal to adopt the rupee as our currency?—As a single currency, not bimetallism of course.

2416. You would be completely indifferent?—Oh, yes, quite.

2417. You deprecate any stoppage of free coinage of silver in India?—Yes, I do.

2418. Will you explain why?—If you stop free coinage, the result will be, of course, the rupee as it were artificially raised in value on account of being made scarce; and, first of all, beginning with the poor cultivator, in order to pay his 10 rupees, he will have to part with more produce, in order to satisfy the demand of Government first of all; and, in any other transaction in which he is obliged to have some

currency, he will be obliged to part with more produce. And also it will, to a certain extent, interfere with the internal transactions; the very scarcity of a currency will very much hamper the freedom of transactions, even internally, leaving internationally alone. It will create some new complications of which we can form scarcely any idea.

2419. Even though the amount is fixed, and not arbitrarily changed from time to time?—The amount of the currency is fixed?

2420. Yes?—When it is fixed, it will settle down in a certain proportion. Yes, but, while it is being fixed, it will of course dislocate and produce confusion, and the mischief will become permanent. It is not desirable to fix the amount of the currency. It should be left elastic to naturally vary with the requirements.

2421. Yes, but I thought you regarded as rather immaterial those transitory effects. You look at the permanent effect?—I look at the permanent effect; the transitory effects must pass away, when the temporary cause passes away; but, when a permanent change is made, the effect, good or bad, also becomes permanent.

2422. And, whatever may happen temporarily from the limitation of the free coinage of silver, ultimately you would not find any difficulty resulting from it?—Yes. As long as the limitation of free coinage of the currency remains, its injurious effects will also remain.

The witness withdrew.

Mr. H. K. Rutherford and Mr. William Martin Leake called in and examined.

2423. (*Mr. Courtney.*) Mr. Rutherford, you are the chairman of the Ceylon Tea Plantations Company?—Yes.

2424. And you also occupy a position on the committee of the Ceylon Association in London?—Yes.

2425. Are you chairman of it?—No, I am not chairman.

2426. Mr. Leake, you are secretary of the Ceylon Association in London?—(*Mr. Leake.*) Yes.

2427. That association passed a resolution recently?—Yes.

2428. Which I have here, deprecating any alteration in the silver currency of India?—Yes.

2429. You have the same currency in Ceylon?—(*Mr. Rutherford.*) Exactly the same, except in this particular, that the small coinage is divided into decimal parts of the rupee. We have no annas and pie, but it is practically the same currency.

2430. Have you any mint in Ceylon at all?—No, our rupees are the Indian rupees.

2431. They are imported from India?—Yes.

2432. And they come over in the course of trade?—Yes.

2433. The Ceylon Government has nothing to do with the currency?—I think not.

2434. Rupees are imported purely in the course of trade?—Yes.

2435. You have a fractional token currency?—Yes.

2436. But the real currency is the rupee?—The Indian rupee.

2437. Coined in India?—Yes.

2438. Which you get only in the course of trade?—Yes.

2439. (*Sir Reginald Welby.*) You have a Government issue of notes?—Yes.

2440. (*Mr. Courtney.*) How is that regulated?—Well, that I am not able to say. It was introduced after the first failure of the Oriental bank.

2441. At all events the note is at par; there is no depreciation, the note and the silver certificate is on an equality?—At the same ratio of exchange; yes.

2442. Now, you deprecate the introduction of any alteration in the rupee, as injuring the Ceylon planters?—Yes, more especially the tea enterprise in Ceylon.

2443. Will you explain to the committee how you think an alteration would injure that?—If you will allow me, sir, I will read a few notes I have made on the subject.

2444. Yes?—Ceylon depends almost entirely upon its agriculture, and more especially on the cultivation of tea for its prosperity. After the failure of its staple product, coffee, through leaf disease, it would practically have been abandoned by the planter and capitalist, had the introduction of tea, which was made possible by a low rate of exchange, not taken the place of the former product. Since this cultivation was begun on an extended scale, the revenue of the colony has steadily increased, and each year sees more money available for expenditure on the construction of railways and works of public utility; and at no period in its history has the island been so prosperous, its people so contented, and signs of a steady expansion of its industries and revenue more evident, notwithstanding the lower gold value of the currency of the country. In 1877, which year saw the coffee enterprise at its height, the revenue was 17,000,000 of rupees, but, with the failure of the staple product, the revenue fell in 1882 to 12,000,000.

2445. (*Sir Thomas Farrer.*) At what date did it fall?—In 1882 it was at its lowest, that was on account of the failure of the coffee. From that date it steadily rose, until last year the revenue had reached 18,000,000 of rupees. The total value of the exports and imports is about 10,500,000*l.* sterling. The exports to the United Kingdom (nearly all representing agricultural produce) are 3,300,000*l.*, while the imports from the United Kingdom only amount to 1,800,000*l.* The sterling obligations of the Government are undoubtedly increased by a lowered gold value of the rupee; but any loss in this respect is out-balanced by the extra gain to the country from the increased amount of rupees realized by producers, whose sterling exports to the United Kingdom are double the sterling value of the imports from that country.

2446. (*Mr. Courtney.*) What is the annual charge of the burden on the gold debt?—About 160,000*l.*, including military expenditure. The European traders and shopkeepers, with probably the exception of those dealing in piece goods, have now discovered that, although silver prices for imported goods, paid for by them in gold, have necessarily risen, their volume of trade and of profits is in no way diminished, and that they have shared in the general prosperity of the people. This I have on the authority of one of the largest traders in Colombo. As a further proof of the financial improvement that has taken place, notwithstanding a falling exchange, I would cite the fact that this year a Government 4 per cent. rupee loan for 1,000,000 rupees was locally tendered for to the extent of two and a quarter times the amount required.

2447. (*Sir Thomas Farrer.*) Is that tendered for by natives?—By the local community.

2448. Or by English merchants there?—By both natives and English. The railways which originally cost the colony 39,500,000 of rupees have been so remunerative, that 55 per cent. of their cost has been paid back. From these facts it cannot, I think, be denied that Ceylon has benefited to a very appreciable extent by the fall in the gold value of the rupee. I greatly fear, however, this marked prosperity and development of revenue will cease, should the proposed interference with the natural value of silver be carried into effect. The chief staple of export is tea, amounting to fully half the value of all the exports from the island; but this very

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fact is viewed with extreme anxiety by the Government of Ceylon, for it is evident, should any disaster overtake this product, causing the abandonment of its cultivation, there would follow the loss of many millions of capital invested in the enterprise; the impoverishment of the native population, and the revenues of the colony would be imperilled to such an extent that it might lead to the absolute ruin of the foremost of our Crown colonies. The food of the labour force of Ceylon is rice imported from India to the annual value of some 20,000,000 of rupees, and the cost of this article naturally regulates the price of labour. If we eliminate the abnormal prices for rice during the Indian famine years, it will be found that the rupee value of this commodity, and also the price of labour, have practically remained stationary for 30 years. 30 years ago Mr. Leake was in the colony, and he can vouch for the price being the same then as it is now.

2449. Has not the price of rice risen?—No, it is the same to-day as it was 20 or 30 years ago, further than the abnormal changes that I have mentioned. By the lowered gold value of silver, there is a saving in the Colony's bill for imported rice of 750,000*l.* sterling. This does not represent it all, because all the curry stuffs, the fish, and other foods, are imported from India, and the total saving cannot be short of 1,000,000*l.* When the rupee was at par, the sterling value of the labourer's wage was 8*d.* per day, and at the present moment it is equivalent to 5*d.* He is, however, able to buy with this 5*d.* as much food and necessary clothing, (which latter is now manufactured locally or in India), as he formerly had to pay 8*d.* for. As, therefore, a fall in the gold value of the rupee has brought labout a corresponding fall in the gold price of labour, and consequently in the cost of production, it naturally follows that a rise in the gold value of the rupee would have the reverse effect. Notwithstanding the heavy fall in the gold value of silver, the price of Ceylon tea is to-day exactly the same as it was eleven years ago; and any intermediate fluctations can be shown to have been brought about, not by the influence of exchange, but by the relations between supply and demand.

2450. The price of tea; are you speaking there of the gold price?—The gold price. The gold price of Ceylon tea rose steadily between 1880 and 1885, although the value of silver steadily fell during that period. The reason for this apparently extraordinary state of things was due to the fact, that in 1880 Ceylon tea was a comparatively unknown article, and there was no special demand for it. In that year we only exported, I think, about 350,000 lbs.; now we export about 70,000,000 lbs. Its good qualities rapidly became known, and, the demand getting ahead of supply, average prices advanced in that period to the extent of 5*d.* per pound. From 1885 up to the present time, there has been a considerable fall in the price of tea, but this is fully accounted for by the fact of Ceylon alone having increased the world's supply in seven years by 66,000,000 lbs. per annum. To further show that the value of silver has not affected the price of this staple, it may be stated that, although the average rate of exchange for 1892 has been 2¼*d.* below that of the previous year, still the average price of Ceylon teas has remained the same.

2451. The gold price?—The gold price. I am always referring to the gold price here, and at the present moment, although exchange was practically never lower, we are getting a better price for our tea than for the last two years. From the beginning of the Ceylon tea enterprise until to-day, there is not a shadow of proof that the value of the article in the London market has been affected by exchange rates, and there is therefore no reason to believe that the price of tea will increase were the gold value of the rupee raised. It is maintained that, were a gold standard introduced into India and Ceylon forced to join in the arrangement, it would so adversely affect the cost of production of tea, both in India and Ceylon, as to open the door to China and Japan (which are silver-using countries), and enable them to place their teas on the London market at such a low cost as to ruin the industry of British-grown tea. Whenever any tendency to enhanced values presents itself, China is always ready to throw large quantities of its produce on the market, and thus preserve the balance of prices. The raising of the value of the rupee artificially would enable China, with a depreciated silver currency, to send to this country a higher standard of tea than at present, to compete against the lower grades of India and Ceylon teas; and this undue advantage of the means of cheap production which she would possess would eventually make it impossible for us to successfully enter into competition with her. With Ceylon tea at an average price at 9*d.* per lb. in the London market and the rupee rehabilitated, or with the price of tea at 6½*d.* per lb. at an exchange rate of 1*s.* 4*d.*, the enterprise would cease to be remunerative, and the industry would unquestionably become abandoned. It is not my province to deal with the question how a gold standard in India would affect other Ceylon interests, but it must appear evident that, as the greater includes the less, the prosperity of the whole of Ceylon is inseparably bound up with the success or failure of its staple product. Ceylon's commercial existence is essentially dependent on one product; and it by no means follows, although a gold standard may be proved to be for the benefit of the Empire of India, with its diversity of interests, that it would likewise be advantageous to the welfare of the Island of Ceylon to identify herself with India's policy. Our currency being in Indian rupees, we must perforce participate in the effects arising from any change in the value of the rupee; but the agricultural interest of Ceylon will protest against any artificial ratio of value being fixed between gold and silver by the Indian Government, as being fraught with the gravest danger to the interests of Ceylon and its people. These are purely views from the tea planters' point of view.

2452. (*Mr. Courtney.*) You in Ceylon do not suffer in consequence of an external debt?—(*Mr. Leake.*) Very slightly.

2453. Has there been any cry on the part of the civil servants of Ceylon?—(*Mr. Rutherford.*) I do not think there has been any petition or expressed opinion. (*Mr. Leake.*) Their salaries were all raised some years ago. The increase of salary was specially to meet the loss by the fall in the rupee.

2454. Then the Government of Ceylon has not been embarrassed at all?—(*Mr. Rutherford.*) Not in the slightest.

2455. By the divergency of value between gold and silver?—Not at all. They have always had a surplus balance available since 1882.

2456. And I suppose you would say you might set up a currency of your own, if you were driven to it?—Well, of course, if India artificially raised its rupee, we would rather retain the depreciated rupee.

2457. Would there be any great difficulty in your having a mint and minting rupees?—I do not see what difficulty there would be.

2458. So as to dissociate you from any change that might happen in India?—Yes.

2459. (*Sir Reginald Welby.*) You might have your own rupee?—It is perfectly possible, of course; but it would require to be a distinctly different coin, because, were it not so, you would have one value in India and another in Ceylon for the same coin.

2460. (*Mr. Courtney.*) If there was a real ground for an alteration in India from causes which do not prevail with you, you might plead to remain as you are, with a mint of your own. Then I suppose you would rejoice in the change of India?—It would perhaps be to our advantage as against India.

2461. Do you not think that would be your better line?—(*Mr. Leake.*) The question would be whether our rupees could be kept, under such circumstances, at the lower value.

2462. Why not? you would then apparently have all the advantages of an Indian rupee, as against the

Indian producer, who, I suppose, is your greatest rival in tea?—That and China.

2463. Which is the more formidable rival?—(*Mr. Rutherford.*) We do not look upon India as a rival. Its tea trade runs concurrently with ours. We get the same price, and the country can take all the produce of both India and Ceylon and more; the balance required is supplied by China. China is the country that keeps the price of tea down, because, if we had short crops in India and Ceylon, naturally we would get higher prices; but that does not follow, because China is able to send the deficit to this country, and so keeps the price down.

2464. Have not the Indian tea and Ceylon tea much the same qualities for a mixture with Chinese tea?—Indian tea gives strength, and Ceylon tea flavour.

2465. And therefore, if a change were adopted to the injury of the Indian planter, it is the Ceylon planter that would especially get the benefit?—Yes, we would, under certain circumstances.

2466. (*Sir Reginald Welby.*) Would there be any special difficulty to you, do you think, in your getting a separate currency; would your relations with India not expose you to great difficulties, if they adopted a gold standard and you kept to the silver?—I should not think so.

2467. Therefore you do not look upon your condition as being inseparably bound with India, whatever India does?—No. (*Mr. Leake.*) The commercial communication is very close. Rice is very largely imported into Ceylon, and it all comes from India.

2468. (*Mr. Courtney.*) I see you give the total value of exports and imports at 10,500,000*l.*?—(*Mr. Rutherford.*) Yes.

2469. Do you know what the exports were alone?—They were practically half of each.

2470. 5,250,000*l.* exports, and out of that about half to the United Kingdom?—Nearly two-thirds to the United Kingdom.

2471. Well, now, if a change were made, and you were brought into it, your competition with the Indian producer would not be affected?—Not at all; it would be only affected as regards China and Japan, which would be working with a lower gold value of silver.

2472. But you are persuaded that, in competition with China, you would suffer an injury?—Most undoubtedly.

2473. Well, now, why?—Well, they would be able to produce a higher standard of tea, for the same money it costs them now to produce an inferior tea. It is simply the low quality of China tea in its lower grades that keeps it from going into consumption here; but, if they could produce the tea cheaper, of course they would send to this country a higher standard of tea.

2474. Do you think the real wages of your labourers would be increased by the alteration of the standard?—I do, as affecting the producer, but not as affecting the labourer.

2475. Does not the cultivator get paid just enough to live upon, and no more?—Oh, not at all; he annually remits to India very large sums from his savings.

2476. You import a good deal of labour from India?—All the estate labour is imported from India.

2477. Does it return to India after a time?—Well, a proportion of it does, and others settle in the country. During the failure of coffee, the coolies did return to India and settle there, but with the tea enterprise they have come back again, and they are now settling in Ceylon on the estates.

2478. Well, the real wages of labour you tell us have been unaltered for 30 years?—The rupee silver value of labour.

2479. And the prices of commodities which the labourer consumes, have they been much altered?—They practically remain the same.

2480. Then the real wages of the labourer have been unaltered for 30 years?—Yes, in silver.

2481. The real wages: what he wants to eat and to clothe himself with?—Yes.

2482. Have been unaltered for 30 years?—Yes.

2483. Why should not that unalteration of real wages continue, although the nominal wages might be changed?—(*Mr. Leake.*) While the rupee was going the other way, the nominal wages did not alter.

2484. Why should it, if it went backwards?—If it does not alter going one way, why should it alter going the other way?

2485. That is what I put to you?—There is no reason.

2486. Then, are you alarmed about nothing?—Oh, no. (*Mr. Rutherford.*) It would not alter its silver value, but it would alter its gold value.

2487. The change in the value of the rupee, relatively to the sovereign, has not affected the real wages of labour or the cost of production in Ceylon at all, where the rupee is declining?—Certainly it has; its gold value.

2488. No. You say it is exactly the same, the real wages?—The real wages in silver remain the same.

2489. The actual things which the man would ultimately buy, his food and his clothing and other things, have not been altered at all?—No.

2490. Now, why should a change happen, with the reverse process, if it could be instituted, of putting the rupee back?—There would be no alteration in the silver value, but in the gold value; and, as we sell our produce in gold, the profit would be less, the cost of production being more. (*Mr. Leake.*) The real value and the rupee value would remain the same, but the gold value would be much higher. (*Mr. Rutherford.*) I take it, the real value to the labourer is merely the rupee value.

2491. No, I have endeavoured to sever in your mind the two things, and I thought you did. I wish you would keep them, if you could, apart from one another.

2492. (*Sir Thomas Farrer.*) If the rupee rose, would you have to pay the men the same quantity of rupees as before, or practically the same quantity of rice and clothing as before?—We would have to pay the same quantity of rupees.

2493. (*Mr. Courtney.*) Then he would gain by it, and get so much more rice and clothing?—(*Mr. Leake.*) He would get the same quantity of rice and clothing for the same quantity of rupees, but the gold value would be very different. We sell at home for gold; our price would go a very much shorter distance.

2494. If he got the same quantity of rupees, and the rupee had risen in value, he would get a larger quantity, would he not, of rice and clothing?—(*Mr. Rutherford.*) No. (*Mr. Leake.*) The real value and the rupee value will remain the same, but the gold value will alter; and we shall get a very much less number of rupees to pay the same quantity of labour, and the same quantity of rice and clothing. (*Mr. Rutherford.*) He gets the same when the rupee is at par as he gets when the rupee is at 1*s.* 3*d.*; he does not get a larger quantity of rice for the same number of rupees when the rupee rises in value.

2495. (*Sir Thomas Farrer.*) You get a smaller number of rupees to pay with?—(*Mr. Leake.*) That is it.

2496. Then would you not pay him a smaller quantity of rupees?—Well, we have not paid him a larger quantity of rupees while it has been going the other way; therefore we should not pay him a smaller quantity of rupees.

2497. (*Sir Reginald Welby.*) Therefore his wages would rise as far as the employer was concerned; you would give him the same number of rupees?—They would buy the same as before, but we should get less rupees for the produce.

2498. We have had some information put before us from India, that, while a great quantity of articles in India have remained constant in price during this time, rice is one of the things that has risen considerably, by the market price taken throughout India; and I was rather surprised to hear you say

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that rice has not risen in Ceylon?—(*Mr. Leake.*) I was inquiring what rice was selling at on the estates, and I was informed that it was still between three and four rupees a bushel, which was the regular rate 30 years ago. The Ceylon rice chiefly comes from the south of India. There may be other parts of India where it has risen in price.

2499. Where does your rice come from, Madras?—Well, chiefly the Madras Presidency.

2500. You do not get the Burmah rice?—No; I have known of Burmah rice being used in times of famine.

2501. (*Sir Thomas Farrer.*) The average price of rice at Madras in the five years ending 1874 was 104, the next five years 111, the next five years 158, the next five years it goes down to 106 again, and then to 119, and now it is 145; the price is very irregular?—Yes, the famines cause the irregularity. I have bought rice at 16 rupees a bushel in Ceylon, in 1866; in fact, we were nearly starving on the estates.

2502. (*Mr. Courtney.*) Your position is that you pay your labourer about one-third of a rupee a day?—(*Mr. Rutherford.*) That is so.

2503. And that has been so continuously?—Yes, about one-third of a rupee.

2504. About one-third of a rupee brings him as much now as it did 20 years ago?—Yes.

2505. But that you get a greater number of rupees for your produce than you did years ago?—Yes.

2506. And that any alteration in the rupee would affect the number of rupees that you would get for your produce—alteration in the rupee in relation to the sovereign?—(*Mr. Leake.*) That is the whole point; we should get fewer rupees, the rice would remain the same.

2507. Now you say there is no evidence at all, there is not a shadow of proof, that the value of tea in the London market has been affected by exchange rates?—(*Mr. Rutherford.*) Just so.

2508. I see that the value of tea has been continuously declining, you might say from 1885 when it rose to 15*d.* per lb.?—Yes.

2509. But there is one year in which it did not decline; it fell considerably between 1885 and 1886, again between 1886 and 1887, again between 1887 and 1888, again between 1888 and 1889, but not between 1889 and 1890. It fell again between 1890 and 1891 and between 1891 and 1892. Well now, that one year in which it did not decline is the year in which the ratio went up?—(*Mr. Leake.*) It has gone up 2*d.* now, and the rupee was never lower. (*Mr. Rutherford.*) The rupee was never lower than it has been the last month or two, and Ceylon tea is higher now than it has been any time within the last two years.

2510. Can you give any reason why?—I give the reason that the price of tea has been solely affected by the supply and demand.

2511. No, I mean the arrest in that year 1889 of what may be called a continuous decline, contemporaneously with an increase in the rate of exchange?—(*Mr. Leake.*) The reduction of duty, and the very great increase of consumption that followed.

2512. That was the cause?—I think it may have been so.

2513. There is at all events a suggestion of connexion between the two things there?—(*Mr. Rutherford.*) If there had been any connexion between the rate of exchange and the price of tea, then the price would have risen 1*d.* or 2*d.* a pound, instead of remaining the same.

2514. Not if its normal course had been one of decline; it is enough that it is arrested?—No; between 1889 and 1890 the exchange went up.

2515. I know it did, and simultaneously the price of tea stopped falling?—(*Mr. Rutherford.*) It may have been from the cause that Mr. Leake mentions, from the reduction of the duty, as there was consequently a demand for a better class of tea. (*Mr. Leake.*) There certainly was a very great increase of consumption immediately on the reduction of the duty.

2516. The figures in this letter from Mr. Christie do not give the importations since 1870. I do not know why they have stopped at that?—(*Mr. Rutherford.*) In 1889 the imports of Ceylon tea into this country were 34,000,000, and in 1890 they were 46,000,000 lbs.

2517. That is a very considerable increase?—The next year was 68,000,000 lbs.

2518. Those figures do not appear to account for the suspension of the fall?—(*Mr. Leake.*) The continuous fall has been due to the enormous increase in the quantity sent into this country.

2519. (*Sir Thomas Farrer.*) And is the cultivation increasing now?—(*Mr. Rutherford.*) No, it is remaining fairly steady, increasing by probably 10,000 acres a year; but the Government are not at all anxious to sell any more land, because it is feared, were a large tract of country opened up in tea, prices would go down to such an extent that it would render it unremunerative.

2520. You think that the fall in the exchange, the alteration in the relation of the rupee to the sovereign, has very much promoted the export and the cultivation of tea?—It has.

2521. You attribute to that cause a good deal of the prosperity of the tea plantations, as compared with China, for instance?—Yes. (*Mr. Leake.*) The general feeling is that the industry could never have come into existence, but for that cause.

2522. I want to ask you now a theoretical question. We all know that improvements in cultivation and improvements in carriage, and diminution of expenses in either one or the other, will promote the produce of an article, and make it more, that you have there an actual increase. Well, but in operations of exchange there is no increase in the article, is there? An operation of exchange is simply the relation between the price in gold and the price in silver?—Yes.

2523. There is no actual increase in any material article?—No.

2524. Caused by that, is there?—No.

2525. If you will just follow me for a moment, there is no actual increase in any material article caused by an alteration in exchange, is there?—No.

2526. I can quite understand that it may affect very materially the course of business; but, in a single operation of exchange, there is not, as there is in any other operation of trade, any wealth of any kind created?—Oh, no, not by the mere operation of exchange.

2527. That is to say, in any operation of exchange, what one person gains another loses?—Yes.

2528. In an operation of trade, there is a gain to both parties, an ordinary operation of trade?—Yes.

2529. But, in an operation of exchange, what one person gains another must lose?—Yes.

2530. Well, certain persons, as you have shown, gain by this exchange; who loses?—I have lost as an English manufacturer. The English manufacturer and agriculturalist have lost by the appreciation of gold, or, in other words, the fall in prices.

2531. But is it their loss that has made the tea-planters' gain?—I rather think it is. The same thing which weighs down in this country lifts up in that; there is a balance.

2532. But you cannot trace the gain of the one to the loss of the other?—No. (*Mr. Rutherford.*) Mr. Leake is a practical illustration of it. He exports to Ceylon large quantities of cement. Twenty years ago the price of cement was 10 rupees a cask, and it is the same price now in silver. (*Mr. Leake.*) Identically the same price in silver; it is not the same price in gold. We have certain gold charges to pay; to meet those gold charges, I have to give two tons of cement where I used to give one, and in fact the trade is being ruined.

2533. Then you get your cement cheaper; you think the profit of your tea-planting has gone in it?—That is my feeling; in that and other goods produced on gold wages.

2534. You cannot quite trace that operation, can you?—No, there is a balancing. (*Mr. Rutherford.*) The balance of benefit is with the Ceylon planter.

2535. (*Mr. Courtney.*) Do you mean to say that cement has gone down in selling price in Ceylon, in consequence of this operation of exchange?—(*Mr. Leake.*) It is the same price in rupees in Ceylon as it was when I started in the business 16 years ago.

2536. And I gather from you that the alteration in exchange in Ceylon has altered the gold price in London?—No; what it appears to me is that the silver and all have gone down together, because the silver buys as much in Ceylon of many kinds of English goods now as it did 20 years ago, of all open competition articles. It will not buy so much beer, because the price of beer in England has never altered in my lifetime, as far as I know; but in all those where the price varies by supply and demand, the price is the same in Colombo in rupees now as it was.

2537. The price in sovereigns here is different?—Very different.

2538. Now, why are the prices here different, cement being the product of this country?—Well, it is owing to the general facilities of business, I suppose, and competition. (*Mr. Rutherford.*) Competition and more factories making cement now than ever.

2539. You put it down to the greater facility in the production of cement?—(*Mr. Leake.*) It is the competition. There is no greater facility in manufacture here, but the price in these far distant places is affected by the greater facilities of transport, &c.; freights have come down, of course, enormously.

2540. Then the selling price free on board must have come down here too?—Very much, of course; the selling price in the distant colonies, Australia for instance, has come down very much more in proportion.

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The witnesses withdrew.

Adjourned till Wednesday, 11th January 1893, at 11 a.m.

At the India Office, Whitehall, S.W.

TENTH DAY.

Wednesday, 11th January 1893.

PRESENT:

THE RIGHT HON. LORD HERSCHELL, THE LORD HIGH CHANCELLOR, THE CHAIRMAN, PRESIDING.

THE RIGHT HON. LEONARD HENRY COURTNEY, M.P.
SIR REGINALD EARLE WELBY, G.C.B.
LIEUT.-GENERAL RICHARD STRACHEY, C.S.I.
MR. ARTHUR GODLEY, C.B.
MR. BERTRAM WODEHOUSE CURRIE.

MR. HENRY WATERFIELD, C.B., *Secretary.*

MR. HENRY COKE, of Messrs. David Sassoon & Co., called in and examined

Mr. H. Coke.

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2541. (*Chairman.*) Mr. Coke, you come before us as representing the firm of Messrs. David Sassoon & Co., East India and China merchants?—Yes, my Lord.

2542. They carry on business between England and India and China?—Yes, my Lord.

2543. Has difficulty been experienced by your firm in conducting their business, owing to the fluctuations of exchange?—Yes, my Lord.

2544. And do you think that the time has arrived when some change should be made in the financial relations between England and India as regards the currency?—I do, my Lord.

2545. You base that upon the altered conditions of silver in the monetary system of the world, as compared with the period before the fall in silver began?—I do, and particularly upon the altered conditions as compared with the period when silver was adopted by law as the currency of India.

2546. What do you say in answer to those who urge that silver should be allowed to find its natural level in relation to gold?—I say that there is no natural level between silver and gold when silver has become a commodity; the argument of the cost of production is perfectly fallacious, because the cost of production varies with the market price of the article; in my experience I have known an article of trade which lost money in production at 30*s.* a cwt., and is now being made at 15*s.* a cwt. That shows how the cost of production in commodities varies.

2547. (*Mr. Courtney.*) Would you explain; I cannot follow your figures; would you explain what that exactly means with respect to that commodity?—Well, the case I am thinking of is the production of sugar in Demerara.

2548. Well, what has happened to that; stick to that first?—The market price was 30*s.* a cwt. to my own knowledge as a trustee of a large estate. It lost money in the production at 30*s.*, and the estate had to be given up, but the improvements and reductions in the cost of manufacture now enable the new owners to carry it on at the price of 15*s.*

2549. What moral do you deduce from that?—The moral that I deduce from that is that the cost of production varied with the market price of the article.

2550. (*Chairman.*) Do you mean that the fall in the market price stimulated improvements in production which reduced its cost?—Exactly so, my Lord, and reduction of labour. And, to come nearer home, let me mention cotton goods. 8¼-lb. shirtings some years ago could scarcely be produced to sell at a

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profit in India at 6 rupees—but the same standard is now being sold at about 3 rupees 8 annas, and the cost of production has come down with the market price of the article.

2551. Which followed the other? Did the market price fall, and then the cost of production fall?—The cost of production, my Lord, followed the market price, and the market price fell with the fall in exchange. If you will allow me, I will give you an illustration. The native who consigns wheat to me for sale thinks in silver; he makes out his invoice in rupees, and it is my duty to realize as near his silver price as I can. At 2*s.* the rupee, 20 rupees' worth of wheat should fetch 40*s.* to cover cost, and all merchants trading with silver-using countries, influenced only by exchange, and other things being equal, would adhere to this price; but, when the rupee falls to 1*s.* 6*d.*, the relative value of the same quantity of wheat becomes 30*s.*; Indian wheat falls, and brings all other wheat down with it.

2552. Why do you say Indian wheat will bring all other wheat down with it?—Because it comes into competition with every other kind of wheat in this country, and is more in demand than any other wheat, on account of its hardness and whiteness.

2553. But that surely must depend upon the quantity of Indian wheat as compared with other wheat?—My Lord, I said other things being equal. I am only taking the abstract argument. I do not deny that supply and demand influence price. But my point is this, that, the sterling price of Indian wheat, and indeed of all Indian produce, having fallen, a struggle commenced with Manchester manufacturers for a corresponding reduction in the price of piece-goods, which they were unable to withstand; and, by the pressure of circumstances, the cost of production was brought down to the level of the fallen rupee. But the want of fixity, and the great fluctuations that have occurred of late years, have increased the difficulty of conducting every kind of business with India. This view of the situation is held by many of the leading manufacturers of Lancashire.

2554. Do you know that many of those in the Lancashire trade who are in favour of bimetallism have expressed themselves strongly against a gold standard?—I know, my Lord, that they have done so lately. Your Lordship means a gold standard for India.

2555. Yes?—Yes; I have been in Manchester at a meeting since the return of Sir William Houldsworth from the Conference.

2556. Their fear is that it will dislocate to a great extent their trade with China and other silver-using countries, and that the increased fall of silver which is likely to result from adopting a gold standard by closing the mints would prejudice very much their China trade?—If you will let me enlarge upon that a little.

2557. Yes?—I should say that there are two reasons why the Manchester Chamber of Commerce came to that resolution; one is that there are almost evenly balanced parties now in Manchester between bimetallism and monometallism, and the bimetallists feel that their case would be weakened if India made some arrangement independent of general bimetallism. The monometallists, on the other hand, desire to leave things as they are, because the acknowledgment that any change were necessary as regards India would indicate a doubt as to the correctness of their faith. But I do not consider that the resolution of the Chamber of Commerce of Manchester is a true indication of the feeling of the manufacturers of Lancashire.

2558. But the advocacy of bimetallism, as far as Lancashire is concerned, was in the main in order to obtain fixity of exchange, was it not?—Quite so.

2559. Then, if they obtain that by means of a gold standard, why should they be so much concerned that it is not obtained by bimetallism?—They fear the effect which may be produced upon the trade of England with other silver-using countries; but it appears to me that, if general bimetallism cannot be obtained, India must take care of herself. I cannot see why the interests of India should be sacrificed for the trade of England with other silver-using countries. This is a question that I have discussed with a Chili merchant. He acknowledges that, bimetallism not being within practical reach, it seems necessary that something should be done for India.

2560. Have you considered the effect which, it has been suggested, might arise as regards India's trade with silver-using countries, if you had a closing of the mints and a heavy fall in silver?—I think, my Lord, the Indian trade with China is small compared with the trade of India with the gold-using countries; I acknowledge that there would be a difficulty; but, after discussing the question with the partners of our firm, who have been a great deal in China, we have come to the conclusion that the difficulty will adjust itself, for this reason; the exchange between China and India is interlaced with the exchange with England. They all hang upon one another, and, if there should happen to be a balance of trade between India and China in favour of India which would necessitate the transmission from China of silver to pay for it, certainly, in any currency arrangements that would be made, there must be provision for the coining of a certain, amount of silver, because the general balance of trade must always be in favour of India, and I do not consider that the fixing of a minimum rate of exchange would prevent that silver coming from China.

2561. But the same amount of silver, of course, would have less purchasing power in India, supposing you had a fall in silver and you rendered your rupee stationary as compared with gold?—Yes, my Lord; then, if the China people do not fall in with some arrangement of this kind, they must pay more silver; but I think that the China difficulty is so small, compared with the greater difficulty of India's trade with England, and India's political relations with England, that we must not let a small stone stand in the way of moving a great machine.

2562. The trade of India with silver-using countries is about half what it is with gold-using countries?—I do not know the exact amount.

2563. I think it is something like that; it is not such a very small matter.

2564. (*Mr. Currie.*) Twenty-seven against 60?

2565. (*Chairman.*) About one-third of the whole, about one-half what it is with gold-using countries?—Before leaving that question, I may mention that, in the course of our experience as large traders between India and China, we have found it necessary to do without the banks, in other words, to provide our own means of exchange; we bought gold bars in China to a large extent; and it would probably be found that, if difficulty occurred with regard to silver, gold would be remitted.

2566. (*Mr. Currie.*) I suppose it is not absolutely necessary for China to discharge her engagements in silver, is it; silver is only sent if silver were accepted by the trader?—The way in which it is done now is that China consigns a large portion of her produce to England, and the proceeds are remitted back to India in discharge of the indebtedness of China to India. It is a triangular business, and China must fall in with any new system.

2567. (*Chairman.*) In your opinion, what is the remedy which ought to be adopted in order to fix the exchange?—I suppose, my Lord, there is no occasion to go into the reasons why there should be a change, why the Government should interfere to stop the fall in exchange. I suppose that has been before the Committee.

2568. In what direction; on account of the want of stability?—In the serious loss to the Government itself in the remittance to meet sterling obligations, and the further unknown loss which may be incurred.

2569. All that we have had before us?—And the depreciation in the sterling value of all capital

invested in India, by which India has been developed during the last 50 years, and the stoppage of all further investments. All that has been considered, I suppose.

2570. Yes?—The injustice of paying European officials the same salaries in a depreciated currency as when the rupee was worth 2*s.*, and the increased expenditure necessary to provide equitable remuneration. I say all that is acknowledged. The difficulty of conducting the trade between India and gold-using nations, owing to the want of a fixed basis of exchange; the banks may provide momentary relief, but eventually the losses fall on the banks; some fail, some reconstruct, and most of them are crippled. Some years ago I had correspondence with the late Sir Louis Mallet at this Office, when this difficulty was only beginning, when exchange was 1*s.* 9*d.*; and Sir Louis Mallet used these words at the time in a letter to me, that the political and commercial relations of India with England are such that it would be absolutely necessary, sooner or later, to come to some basis of exchange upon which the business should be carried on. That was 10 or 12 years ago.

2571. Has not experience, however, shown that during those 10 or 12 years there has been a great fall, and matters have adjusted themselves without any serious difficulty?—Oh no, do not say that, my Lord.

2572. I am speaking now simply of the relations between the Government of India and this country; I am not speaking of the commercial relations at all?—The business has certainly been carried on, but with cruel and excruciating losses to innocent people.

2573. Yes, but Sir Louis Mallet's observation had relation to the difficulty of the Government?—It was with reference to the Government difficulty, but I can scarcely allow that the finances of India have not suffered by this; although there has been an adjustment, it is only due to the very good government of India. People who invested their money in India did so on the faith of the good government of that country; but now the small investor, equally with the capitalist, avoids Indian investments.

2574. (*Mr. Currie.*) India three per cent. stock is still quoted at about 97, is it not?—That is, so long as the revenue meets the expenditure. But the rupee loan stands at 63; and, with a deficit of 160 lakhs, it would be very unwise to attempt an issue of a sterling loan of 3 to 5 millions.

2575. (*Chairman.*) Then what is the remedy which you suggest should be adopted by the Government of India?—I think, my Lord, the remedy should be tentative; that there should be fixed a minimum rate below which the Government should not coin silver free. I should fix the rate for the first year at 1*s.* 4*d.*; and, if that were successful, it might be raised to 1*s.* 5*d.* and 1*s.* 6*d.* in the two following years. I am in complete accord with Sir George Chesney's views published in an article in the "Nineteenth Century" of this month.

2576. When you say that the Government should refuse to coin free under 1*s.* 4*d.*, what exactly do you mean?—I mean that the Government should stop free coinage at 1*s.* 4*d.*

2577. (*Mr. Currie.*) But how 1*s.* 4*d.*; what does that mean?—That means to say that on certain given dates, say on Wednesdays, when Council drafts are issued, the Government should themselves, or the representative of the Secretary of State at the Bank of England should, fix the average price of silver for that week, and silver going out by the next mail should pay a seignorage equal in amount to the difference between the fixed price and 1*s.* 4*d.*

2578. Would it not be simpler to say that so much should be charged per ounce of silver?—It would come to the same thing.

2579. (*Chairman.*) You mean that they should charge a seignorage which would make up the price to 1*s.* 4*d.*?—Yes, my Lord; I am not called upon to produce a perfect scheme; I am only suggesting what occurs to me as a method that is worthy of the consideration of the authorities that have to deal with it. There is the other plan, that the Government might say absolutely that they would not coin; that they would take no seignorage; and many monometallists think that in a very short time rupees would become so scarce that it would come up to that price of 1*s.* 4*d.*

2580. That is to say, that the rupee would come up to that price?—The rupee would come up to 1*s.* 4*d.*

2581. Not silver?—Not silver; that in a very short time rupees would be so much in demand that the rupee would come up to 1*s.* 4*d.*

2582. (*Mr. Currie.*) What is your own impression of the effect that the closing of the mints would produce on the rate of exchange?—At the minimum rate.

2583. I say, what is your impression; suppose the mints to be closed, what would exchange probably go to?—My opinion is that, if the Government were to declare that in a month from this time they would not coin silver below a minimum ratio of 1*s.* 4*d.*, before that time arrived exchange would adjust itself to 1*s.* 4*d.*, and that in a short time every one would wonder that it had not been done before.

2584. (*Chairman.*) I understand Mr. Currie's question to be, supposing that the Government were simply to close the mints without fixing any ratio at all, what would be the effect?—I think it would leave the trade almost in as great a doubt as it is now.

2585. (*Mr. Courtney.*) What would be the effect upon exchange, supposing the Government said: "For the next two years we will not coin a rupee"?—Of course exchange must go up, because silver is wanted very considerably in India. The balance of trade, after allowing for the Government 16,000,000*l.*, is so much in favour of India, that gold and silver must be sent out, not as speculation, but in order to pay for the balance of trade.

2586. (*Chairman.*) Yes, but might that not be done then by means of silver, without its being coined?—Going out as bar silver?

2587. Yes?—I fancy that the natives do not care for bar silver.

2588. Or going as gold; large quantities of gold go to India which are not coined at all?—Yes, they treasure up gold more as a reserve to fall back upon in case of need. It does not pass for the ordinary requirements of life; it does not provide people with the means of living; it will not pay wages.

2589. (*Mr. Currie.*) But is it not a fact that those gold ingots that go out do change hands in the way of trade; they pass from one person to another, do they not?—They may in account—merchants' accounts—but not for the ordinary purposes of paying bills.

2590. Only for large sums?—They would be taken as credit, like any other article of merchandise, if the merchant had an account debtor and creditor; ordinary individuals want current coin of the realm, not a commodity which has to be converted before it can be used.

2591. (*Chairman.*) Except in respect of increased population, for what would there be need of increased coined money in India?—Because India is developing so fast that the currency needs of the population are increasing every year. It is remarkable how soon coined money disappears in India. I was there at the time of the American war, when large sums of money came into the country, and momentarily there was an immense advance in the price of everything in Bombay; but in a short time the great flood of silver that came in disappeared among the great population of India as water would in sand.

2592. (*Mr. Currie.*) What is the present condition of the currency; do you consider it to be redundant or the reverse?—I do not consider it to be redundant.

2593. But are you aware that the paper circulation has nearly doubled in the past two years?—But the

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paper circulation is based, I suppose, upon the silver that is held in the vaults.

2594. Quite so; but I mean, would not that seem to show that there was a redundancy of currency, if the paper circulation, which is based upon silver, has doubled in two years?—If the paper circulation has doubled, there must be a certain amount of silver, that was circulating in the pockets of the people, collected in the banks against that paper. I do not remember to what extent the notes are issued against silver.

2595. It was as low as 16 crores in 1889, and since that it has been 29; how is that to be accounted for?—Because the natives are getting a liking to use the rolls of notes, instead of carrying the bags of rupees that they used to.

2596. But is not that a very sudden rise; such a change of habit on the part of the natives would hardly take place in two years, would it?—If your argument, sir, is that that is an indication of a further increased use of currency, I think that is very doubtful.

2597. No, my argument is not that; I ask you, does it not show that there is a redundancy of currency; that is to say, that there is more silver imported into the country than is required for the purposes of currency?—I do not think you can altogether deduce that from the premises.

2598. Then how would you account for it?—As I said before, that the natives are using the notes more than they did before, instead of carrying bags of silver about. I was in Bombay when these notes came out, and the natives did not care for them.

2599. No, but the amount had been very steady for many years—we will say something like 12 to 15 crores; all at once, in two years, they nearly doubled. There must be some reason for that, must there not?—I would take the two together. I would allow that there is a certain increase. But, as I said before, there is a considerable amount of silver remitted to India every year, as it was remitted to India when the rupee was 2*s.*; so that to argue now that there is a surplus of silver being remitted to India, because the rupee is low, is losing sight of the fact that that same thing existed, sometimes to a greater and sometimes to a less extent, when the rupee was 2*s.*

2600. Is it not probable that, the mints of India being the only mints practically that are open to silver coinage, large amounts of silver should be sent there?—It is natural, of course, that this should be so.

2601. Yes, but I say, is it not probable that the mints of India, being the only mints in the world, with the possible exception of Mexico, which are open to coinage, would attract silver there to a large extent?—I think only for the payment of produce or for the payment of debts. I think it is probable, however, if the Government were to cease selling Council drafts in London, and were to buy bills through a financial agency in India, that then less silver would come to London, and more might go to India. Now silver comes to London to compete with Council drafts.

2602. (*Chairman.*) Do you think that alteration of practice would make any difference, beyond transferring the silver market from London to India?—Yes, my Lord, I think it would. People would be more afraid to produce silver at a low price, when they thought that they had lost the London market.

2603. Then do you think that, if the purchase of bills in India were substituted for the sale of bills here, for Government purposes, it would make a difference in the rate of exchange?—I think it would tend to prevent the fall in exchange. I think the competition of the sale of bills here every week, at times when the bills are not wanted, tends very much indeed to depreciate the exchange. If the Government employed a financial agency in India, either, say, a State bank or a syndicate of banks, to buy bills, and this agency knew that in the course of the year they would have to remit 16,000,000*l.*, they would take care to provide themselves with the bills at such time as the public were selling.

2604. (*Mr. Currie.*) But do not the exchange banks do that business; do not the exchange banks of London practically do that business for the Government; they buy the Government bills or the greater part of them, and they receive the commercial bills?—These bills are offered to the exchange banks when they do not want them. If the exchange banks were receiving remittances from India every mail, what they call in bank phraseology over-remittances, to be sent back in Council drafts, if that was the constant state of the trade of India, then perhaps it might not matter; but many times of the year, for weeks and weeks together, the banks have not got those over-remittances, and they do not want to supply themselves with Council drafts to put their agencies in funds; and, while this is the case with the banks, the India Office is still forcing the bills upon the market, and the exchange banks have to speculate in buying these bills, sending them out for requirements at another time of the year.

2605. (*Chairman.*) And give less for them in consequence?—And give less for them in consequence.

2606. Then do you suggest that it is a desirable thing to establish a State exchange bank?—I have already said that the Government might do better by employing some financial agency to transact their exchange business, than throwing their bills on the market as they do now. A State exchange bank or a syndicate of bankers would probably undertake the responsibility for a given commission. Mr. Goschen's example of conciliating and employing the people engaged in a business to carry out large financial operations for the Government might well be followed.

2607. You think that the result would be that they would obtain the money at a higher rate of exchange?—Certainly, my Lord. But this financial agency must act in concert with the Government, like the Bank of England and the Treasury. They would advise Government as to the minimum ratio.

2608. In your view, should the rate be fixed from time to time, or permanently fixed?—Of the minimum ratio?

2609. Yes?—I should try it for one year on the Budget. I should say that, if the Government were to begin on the 1st of April next at a minimum ratio of 1*s.* 4*d.*, they should then see how exchange adjusted itself to that minimum ratio of 1*s.* 4*d.*, and deal with the next budget accordingly.

2610. But would not the effect of fixing a rate of 1*s.* 4*d.* on the 1st of April next be to enormously stimulate the shipments of silver to India?—In the first place I daresay it would, in order to get there before the rate came out.

2611. That would rather aggravate the difficulty?—For the moment, but that would have to be taken into consideration in fixing the time; and I think the time should be fixed so that all engagements should be carried through without coming under the new system; a month would be sufficient for that.

2612. Do you think that these pending engagements are of a very large amount?—They are at the minimum at this moment.

2613. At the very minimum?—At this moment they are at the very minimum.

2614. Not very large?—Everybody is working from hand to mouth. Of my own knowledge, I may tell you that the silver brokers are trying to force sales from America for three months forward. It has been done as low as 37⅜, and I believe, if anybody would bid for a large amount for three months at 37, they would get it directly. There is very great eagerness shown from America to sell silver forward.

2615. (*Lieut.-General Strachey.*) Have you any knowledge of the exact circumstances under which the large imports of silver into India took place in 1890? They rose from 1888, when the net imports of silver into India were 8,500,000 crores, in 1889 to 10,100,000 crores, and in 1890 to 16,027,000

crores?—I think, sir, you will see almost as great variations as that, if you will go back 20 years.

2616. Never; nothing like it. But more, let me ask you if you are aware that, after those 16 crores were imported in 1890, there was a sudden increase in the last six months of that year in the issue of currency notes, of 11½ crores of rupees?—Yes.

2617. And that this money remained in the banks, and is apparently in the banks still at Bombay and Calcutta?—Yes.

2618. What I asked was, whether you had any specific knowledge of what were the exact circumstances under which that silver was sent to India?—I do not remember.

2619. Did that arise in the sort of way that you were just now referring to, that is, I will not say that sales were forced, but sales were stimulated from America?—Speculation in silver, sir; most probably that was the time when there was more speculation in silver and in Government paper than anything that I have known, namely, when the Sherman Act was passed in America.

2620. This was the time of passing the Sherman Act?—Oh, of course. The consequences of that Act have been most disastrous to all persons connected with silver investments. Not only silver, but rupee paper, was largely purchased, in the belief that stability had at last been attained; and the heavy shipments to India, consequent on the passing of that Act, explain the temporary redundancy of currency referred to in previous questions by Mr. Currie. A new bank, of which I am a director, not for speculation, but as a temporary deposit, chose to place a portion of its first capital in the safe keeping of the Indian Government, and in their last published account had to write off 50,000*l.* in consequence. Trust funds and the savings of Government servants in India have disappeared, with the breakdown of the Indian currency system. All that is now asked is that Government should arrest the decline.

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2621. (*Chairman.*) What do you suppose would be the effect on the opium trade of India with China, if the exchange, the ratio of the rupee to gold, were much higher than the price of silver?—I think the China people who use Indian opium would still pay the higher price in silver for it. It has been proved by the largely increased duties laid upon Indian opium going into China, that a certain class of people will have the Indian opium in the same manner as a certain class of people in this country will have the best champagne, that the extra cost does not very much interfere with the trade, and, as far as the remittances and the exchange are concerned, what I have said before will apply.

2622. You do not think that the opium revenue would fall off?—It might a little, but I think it would adjust itself in time; but, my Lord, that would not displease some people.

2623. With regard to the silver that would be still required for India, do you suggest that it should be purchased by this State bank or syndicate of bankers?—If the Government of India were to determine to do all its business through a State bank or a syndicate of bankers, it would be necessary for them to put themselves into the hands of the State bank with reference to the new currency system of India, exactly in the same way as the English Treasury manage the business under the Bank Act through the Bank of England, and then it would be for that syndicate of bankers to import the silver.

2624. I think that covers all the points?—Yes.

The witness withdrew.

MR. WILLIAM SOWERBY, C.E., called in and examined.

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2625. (*Chairman.*) Mr. Sowerby, have you had personal experience of the working of the currency system of India?—I have, sir.

2626. In what way?—I was engaged out in India as an engineer, and in various other occupations. I was 25 years out there, and I was also engaged in the sale and purchase of cotton to a considerable extent. I am familiar with the currency of most of the European countries, which I have visited and resided in for some time, including Spain, France, Norway, Germany, Austria, Italy, and Greece.

2627. You are acquainted with the difficulty which has been felt owing to the fall in the price of silver and the accompanying fall of exchange?—I am thoroughly acquainted with it. I made myself acquainted with it when I was out in India, and took some part in discussing the question when I was in India, in the Bombay daily papers.

2628. Yes, we have the letter which you have written on the subject?—I have this letter which I wrote to Mr. Gladstone, which I wish to put in as evidence.

2629. What, in your view, has been the effect of the depreciation upon the people of India?—Up to the present time it must have been a beneficial one to some extent, because it has given them the command of far larger sums of money for their produce, to enable them to pay their taxes and rates more freely. It has also had the effect of enabling them to extend their cultivation, and this has been a benefit in the same manner to the Government by increased revenues. The rupee at first of course went, and has gone for a considerable length of time, at its normal value, and its original power of buying amongst natives, but there must be a limit to that; it must in time become depreciated, like everything else where there is an abundant and free supply. Millions of the natives of India never touch a coin; never see one of any kind, they are so poor. The mass of the population in India are practically on the verge of pauperism. I heard it described the other day by a gentleman who knows India very well, from Cape Comorin to the Himalayas, they are a poor set of paupers, and any kind of coinage, even of the lowest denomination, is suitable for the mass of the people of India. But when you come to larger transactions it is a different matter.

2630. (*Lieut.-General Strachey.*) When you talk of the people of India being paupers, what do you precisely mean?—Well, they are so poor that they are on the verge of the absolute want of the common necessaries of life; they have not more than what serves them from day to day, and sometimes not so much as that; they are very poor, very poor indeed.

2631. (*Chairman.*) They live from hand to mouth?—They live from hand to mouth.

2632. (*Lieut.-General Strachey.*) Is not that the condition of the bulk of the community of every part of the world?—In some measure it may be, but not entirely so; it could hardly be said to be the case in this country, or in France, or in Spain.

2633. (*Chairman.*) It is the case with a considerable class in this country?—With a considerable class unquestionably, but not to the same extent, the population in India being much more vast.

2634. Now, with reference to the condition of things which exists, the remedy has been suggested of establishing a gold standard in India; what view would you put before the Committee on that subject?—I think that the first thing to be done in regard to India, as to all other countries which are under British rule, is to assimilate the currency of those countries, India, as well as the Cape of Good Hope, and Australia, and other Colonies, to have them assimilated. It would then have a tendency to make the currency uniform throughout, and the rate of exchange more

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equable. The difficulty has been suggested of providing the gold. Gold of course is a difficulty, but the quantity of gold that would be required in India would probably, and in fact certainly, be very much less than in a community like this, or other European countries, where the mass of the population are not so poor; the people of India being so poor do not require a gold coinage; the lowest possible coinage will do for them. When I was in India, I had to get money from a distance of 40 miles to bring it down to my works. I had 5,000 men, and I had to pay them daily. Instead of getting cash, I simply issued tickets with an impressed stamp, and those were paid over to the shopkeepers and the tradespeople; they then returned me these papers, and I gave the tradesmen cheques on the Treasury. They did not want the cash; there was difficulty at the time, owing to the Mutiny, in getting cash up-country; they got these cheques exchanged for orders upon Calcutta, &c. It saved a great deal of trouble and inconvenience. That shows how extremely small or how nominal a coinage would do for the mass of the population of India. The effect of establishing a currency, assimilating the currency throughout the British Dominions, would be to make the exchanges a great deal more uniform. You cannot retain a silver coinage as a standard in one country and not in another, as we have had it before, because the price of silver is gradually lowering and lowering, and must go still lower, and is ever liable to fluctuations, unless maintained at an uniform price by an international arrangement all over the world, which, like universal free trade, is a very remote possibility. I know, as a matter of fact, that the cost of producing an ounce of silver at the mines is 20*d.*; in American mines it is said to be 2*s.* per ounce.

2635. But it varies surely, does it not?—Not much; and in Australia it would even be less—I was told so yesterday by a large miner—that in Australia it will be produced even for much less, namely, 3*d.* per oz. Now every penny above the 20*d.* is 5 per cent. profit; if they get 38*d.* for their silver at the mine's mouth, they make a clear profit of 90 per cent.

2636. There are a good many mines at work, and we know something of the dividends which they pay their shareholders. They do not generally give any very extreme return, do they?—They do not give an extreme return, but they have very much better returns than gold mines; gold mines, as a rule, do not pay.

2637. I mean that, if you are right, they ought to pay something like 80 or 90 per cent. at the present price of silver?—Many of them pay their owners very large dividends indeed. I do not know that the public companies show such high profits,—they seldom do; it is the private mines which pay very large dividends; they take very good care not to let the public know what they are paying. Gold is the best standard, for the simple reason that it is the only metal which represents in a concentrated form the actual labour employed in producing it.

2638. You think that, with a gold standard, there would still be a very large use of silver in India,—in fact, that silver would be the principal currency?—Precisely, as it is in this country. The silver in this country, which we have, is simply a token like copper— 20*s.* is worth 13*s.* 4*d.* The Government here put 50 per cent. upon the coinage, and there is no reason why India should not have the same form of token. A paper currency would be necessary to carry on their large transactions. The five rupee note has disestablished an immense amount of silver in India, and the other notes have practically disestablished a large circulation of silver. When I first went to India, treasure parties were continually going from one part of India to another with silver. Waggon loads of silver used to go up to the cotton and other districts, to pay for cotton and other produce; now the owner of the cotton goes to the merchant, and, instead of taking payment in silver, which would be an inconvenience, he takes payment in notes, or in a cheque upon the bank, and consequently the silver is not required. This must have disestablished an immense amount of silver.

2639. (*Mr. Courtney.*) What do you mean by saying that you can regulate the price of gold for a long period?—Well, the actual cost of gold is rather more than it is worth. The convenience is that an ounce of gold divides into four sovereigns; if you were the owner of all the gold mines in the world, you would find that you would be out of pocket, and consequently it is a sort of reservoir of labour, a sort of representative of a large amount of labour in very limited dimensions; and it is nearer so than silver, because there is a larger profit on silver, which must be added to the usual price, and there is very little profit upon gold.

2640. I do not see how that amounts to your conclusion, that you can regulate the price of gold for a long period; what do you mean by that?—Regulate the price of gold; gold regulates its price by the supply, and the supply of gold is comparatively limited. At one time gold seemed to be lessening in value, 30 years ago, when there were new discoveries, but that did not last long for a very time, because the amount of supply was not so very excessive as compared with silver. When the rich Ballarat mines were first discovered, the yield of gold only just paid labourers' wages to those employed, and no more, when spread over the numbers engaged in mining.

2641. Are you speaking from an examination of the statistics of prices, or from a mere impression?—I am speaking not from an examination of the statistics of prices, but from my impression, the impression I have had for the last 30 years; and I remember perfectly well the late Professor Fawcett, at the British Association meeting in Newcastle, making a long speech upon the depreciation of the value of gold. Well, that lasted for a very short time. He was sure that it would reduce the value of fixed incomes, and do a great deal of mischief. That did not last long, but in the case of silver it is different. I would not be surprised if silver were now used for many other purposes (in fact it has begun to be used) than it has been previously, and I should not be surprised to see Mr. Maple's bedsteads being advertised as mounted with silver instead of brass, and Mr. Mappin selling real silver articles of domestic use, instead of electro-plated, and at the same price. They can produce silver at the present time in Mexico at 25 pence an ounce, and have a profit of 25 per cent. upon it. I have a paper here* which more fully explains my views upon the whole question in all its bearings, which, with some additional information I may collect and send in to the Committee, on gold and silver statistics, I wish to be added to my oral evidence.

No matter what the currency in India may be, whether assimilated to that of this country or not, so long as large sums of money are withdrawn from India annually, without some reciprocating remittances of adequate proportion are sent out to India, the equilibrium of exchange must be seriously affected to the disadvantage of India. A few years ago large sums were being remitted to India for public works, railways, &c., raised by companies here, and paid into the Indian Treasury here, and the withdrawals from India were consequently counteracted; but this has now ceased, or nearly so. There are plenty of projects open in India suitable for safe investment, which, if judiciously encouraged, would become popular, and the equilibrium of exchange would be restored; but we must have the currencies assimilated.

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The witness withdrew.

SIR RAYMOND WEST, K.C.I.E., LL.D., called in and examined.

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2642. (*Chairman.*) Sir Raymond, we think the best way will be to have this memorandum, that you have handed in, printed, the early part of which goes into the historical case, and also into the pros and cons of the proposed alteration, and to confine our examination of you to your proposed remedy, because on that we shall probably have some supplementary explanation of what you have inserted in your memorandum?—As you please, my Lord.

(*Memorandum handed in.**)

2643. Would you explain to the Committee what is the remedy which you have to suggest for the present state of things, with the view, as I gather, to bridging over the period between the present system and the ultimate adoption of a gold standard?—A gold basis? Yes, I would give a general outline of the plan that I would adopt.

2644. Yes?—Instead of rupees on a purely silver basis, I would in future make a rupee equivalent to ·075 of 1*l.*, that is, 18 pence of our money, of our English money.

2645. When you say you would make it equivalent, what exactly do you mean?—I mean that every rupee should rest on a gold basis, in a way which I shall presently explain.

2646. Yes?—The Government, I think, should coin a number of rupees to be called imperial rupees, which would really be tokens, but tokens of almost the same intrinsic value as the amount for which they circulate, reference being had to the relative values of gold and silver at the time of the commencement of the system; the rupee, being intrinsically worth something less than 18 pence, of course would not leave India, but would circulate there as shillings and crowns and half-crowns do in our own country.

2647. You mean your new rupee?—The imperial rupee.

2648. The imperial rupee would have silver in it approximately worth 18 pence?—Approximately worth 18 pence at the beginning of the system.

2649. That percentage of the pound sterling?—Yes. Then Government, I think, should coin gold to any extent as brought in, as offered to it; and the shape which the gold coins should take, the most convenient shape they could take, would, I think, be for Government purposes that of rather a large coin; and it might be desirable, in order to cultivate and foster the circulation of the silver coins in India, and so far as practicable by arrangements of this kind to check their supersession by gold coins, to have the lowest gold coin a rather large one, and from that point of view I think it would be desirable to make your lowest gold coin one representing 40 rupees, which would be according to the standard 60*s.*=3*l.* Any amount would do, but that would, of course, be a matter for subsequent consideration. It might be desirable to have gold coins of 10 rupees and gold coins of 20 rupees; and, the gold basis having been once settled, of course your rupees all become fractions of a certain quantity of gold; but what gold coins you shall use will have a material influence on the actual positive circulation of silver in the country, and, to those familiar with the way in which trade goes on in India, it will be pretty evident that, if your minimum gold coin is as high as a coin of 3*l.*, comparatively few transactions will ever be settled in gold.

2650. But, supposing after you coin your imperial rupees, silver fell further, your imperial rupee would still be intrinsically worth less than its nominal value in relation to gold?—It would, but by that time it would have been settled on a gold basis. Making it in the first instance intrinsically worth all or nearly all that it passes for in reference to the then existing price of silver in the market relatively to gold, is rather a means of introducing it without friction and without difficulty, than a means of determining what its value is to be at an after period.

2651. (*Mr. Currie.*) What would become of the existing rupee?—For the existing rupees I have provided at a later stage. If you will allow me, I will say a few words more about the currency of what I have called the imperial rupees.

2652. (*Chairman.*) Yes?—It would be necessary of course to issue notes: if a new currency is adopted on a new basis, it would be necessary to issue the Government currency notes, of which I think there are now about 24 millions in circulation, on the new basis, and the notes issued on the new basis of course would for each rupee represent 18 pence; and the question arises, what is to be done when these notes come in for encashment to the Government treasuries. Well, a 10 rupee or a 50 rupee note in imperial rupees comes in, and Government are primarily, according to my scheme, bound to cash that note in gold; but I would give them the alternative, if pressed, of cashing it in silver at the exchange of the day, which exchange rate should be notified at noon every day. A method somewhat similar to this was at one time followed in Germany for determining the rates between silver and gold, but the rates were published at that time only once a week, which was quite insufficient. Now, by means of the electric telegraph, it is quite possible to fix the rate—and, of course, Government would be absolutely disinterested in the matter,—to fix a rate and announce it at 12 o'clock every day at each of the treasuries, and I would leave it optional to Government, if pressed, to cash the notes brought in in silver instead of gold, at the exchange of the day. The practical effect of that, combined with another rule which I would introduce, would be to maintain the reserve of gold; and the other rule is one which I would borrow by analogy from the Bank of France, which, I understand, charges a small commission on giving gold for the notes which are brought in. If you give them a small commission, and say you want gold for any large sum, they will give you gold for it, but without a commission they will not. Now, I would work the system in India in this way, that, when a man brings in his note of 10,000 rupees and demands gold for it, I would say, "It is open for us to give you gold or "silver; there is plenty of gold available; we pay "the gold readily." If there is not plenty of gold available, if there has been anything like a depletion, I would then say, "We are short of gold, and "we are authorised to pay you in silver; but, if you "give us a small commission—it would be a very minute "one—to accommodate you, we will pay you in gold." And the effect of that would be, as has been found in France, that people would take silver or other notes; they would take payment of their large notes either in smaller Government notes of the imperial rupee, or they would take payment in imperial rupees coined in silver, with which they could carry on all the internal commerce of the country, and would,—just as practically the internal commerce of France is carried on in the 5-franc pieces.

2653. But would your imperial rupee buy more in India than your existing rupee?—Yes.

2654. It would come to be regarded as a more valuable coin?—It would, certainly.

2655. (*Lieut.-General Strachey.*) Can you say what the weight of your imperial rupee would be?—I have stated that there are some arguments for making it heavier; there are some for leaving it the same weight as the present rupee. I think myself that, on a balance of convenience and advantages, it would be desirable to make the new imperial rupee heavier than the existing rupee, in order that, by the mere touch of it, all the people in the country would be at once advertised that it is of more value than the other. I would make it of 200 grains instead of 180 grains, but there would be a certain convenience in retaining the present weight, because it is used as a tola weight for the transactions of the country to a very large extent. It would be quite possible to enhance the value of it by putting in a

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minimum quantity of gold into each rupee. It would be about one grain. You then might retain exactly the weight of the present rupee, at the same time that you balance the value up to the requisite amount in reference to gold; but I think myself 200 grains would be the most appropriate and most convenient weight of the new rupee.

2656. (*Chairman.*) If there were not a difference in weight, would it not be difficult to distinguish the one from the other?—Well, it would be necessary to make the inscription and picture different, and these, I think, it would be desirable to make different in any case.

2657. But do not the people there take it very much by the weight, and so on, without looking at the inscription?—Well, they are governed by both, but, if you go into any shop and you see a trader taking rupees, he generally takes a look at each one as he throws it out, and they acquire great skill in that way. Of course, a certain number of counterfeit rupees do pass, but traders are always on the outlook for them, and the number is surprisingly small, considering the immense number of transactions that is carried on.

2658. Then would your accounts be kept in the imperial rupee, or the ordinary rupee?—I should transfer the Government accounts promptly into the imperial rupee. Of course the ratio would be a matter of arrangement, but it would not present any great difficulty. We have seen changes of that kind in the banking accounts of large concerns connected with South America, and also with India. The banks here have in some instances already transferred their accounts from rupees into pounds, shillings, and pence, and they make their English accounts in that way agree mechanically with those that they have in India.

2659. (*Lieut.-General Strachey.*) I do not understand what is the relation between your proposed imperial rupee and the existing rupee. I mean the relation in respect of value?—I come now to the way in which I think it is quite possible to make the transition a comparatively easy one, for, side by side with the adoption of the new rupee on a gold basis, although with a silver alternation and silver currency, I would allow all outstanding transactions in old rupees to be settled in old rupees, and for a limited time I would allow new transactions to be entered into on the basis of the old rupee and to be settled in the old rupee.

2660. Is your idea that eventually the whole of the existing stock of Government rupees, as they are called, should be transformed into imperial rupees?—The idea is, that Government, so far as is requisite and convenient for the public purposes, should take up old rupees and silver in the market, and coin imperial rupees out of it. They have already a large stock of silver in hand, the amount held by the Currency Commission being, if I mistake not, about Rx. 18,000,000, and the balance in the Government treasuries coming to about Rx. 15,000,000 at this moment. Out of this, it would be quite possible to coin the requisite number of imperial rupees; but, should the supply fall short, there would be no difficulty in finding plenty of silver in the market to coin the new rupees out of.

2661. (*Chairman.*) I am not sure that I quite follow the end that you seek to gain, when you have got your imperial rupee. No doubt at first your imperial rupee will intrinsically be of the value that it represents in relation to the gold; but, supposing that silver falls so that it no longer represents that intrinsic value, what would be the difference between it and the old rupee; they would each, though one in greater degree than the other, be a token in relation to gold?—The old rupee would no longer be a rupee in the same sense as the imperial rupee; it would circulate merely for its fluctuating intrinsic value as bullion, but people who chose to use it in that way should be at liberty to do so at any rate for a term of years.

2662. Yes, but what I mean is, how would your rupee stand in a better position than the old rupee, except in so far as it had more silver in it?—The new rupee would stand in a better position, because it would be convertible into gold or the equivalent of gold at the rate of ·075 to a 1*l.* for each rupee, or 1*s.* 6*d.* in gold for each rupee.

2663. (*Mr. Currie.*) How convertible into gold; at the option of the holder?—The holder of Government currency notes should be at liberty to bring those notes in and demand gold for them. That is part of the scheme for the imperial rupees.

2664. Then the currency notes would be based upon gold?—The currency notes of course, like the new imperial rupees, would be based on gold.

2665. But, in the contingency that the Lord Chancellor puts, of a further fall of silver, might not the whole operation have to be done all over again?—No, I think not; the new rupees would circulate as half-crowns and shillings circulate in England, and the provision, in the first instance, for having them all nearly or absolutely of the same intrinsic value at which they are issued, regard being had to the relative market price of silver and gold before issue, is merely a means of facilitating the transition from one system to the other.

2666. (*Chairman.*) But, suppose that you, instead of taking your rupee at 1*s.* 6*d.*, took it at 1*s.* 4*d.* and dealt with the existing rupee on that basis, would not the system be the same?—No.

2667. Why? supposing 1*s.* 4*d.* to be about the intrinsic value of the rupee, and you fixed your relation of the rupee at the existing relative value of silver and gold, what would be the difference between that system and yours?—Well, at present the rupee is not worth 1*s.* 4*d.*, that would be one thing; but further, if you fixed the value of the existing rupee at 1*s.* 4*d.* in gold, and you go on that basis, and say, "We will always "provide you with 1*s.* 4*d.* in gold for that existing "rupee," you would have to give gold at the option of the holders of silver, for the 200,000,000*l.* or 300,000,000*l.* sterling of silver which is held in India at this moment, whereas on my method you would not. You would issue no more silver than was convenient and necessary for the purposes of the country, and for each of those tokens as you issued it you would take gold value.

2668. In which of the two rupees would the taxes be paid?—I have sketched out a method of taking the taxes in the new rupees. That, I think, would be the method causing the least friction and difficulty. Taking the great source of revenue—the greatest, the land revenue—I would announce that the system is to be to take the land revenue in the imperial rupees in place of the old rupees in future; but I would for the first year, while insisting on the payment in the new rupees, make an allowance of three annas in the rupee, in the second year of two annas in the rupee, in the third year of one anna in the rupee, and bring the payment up to payment in full in the imperial rupees on a gold basis—that is, 18*d.* for each rupee—only by a gradual transition occupying four years.

2669. That would be an immediate increase of taxation?—It would not be quite an immediate increase of taxation, because, if you allow three annas on a rupee valued at 18*d.*, it brings it down to less than 15*d.*, and that is almost exactly the present price of the rupee; thus a man who is paying a rupee now would pay an imperial rupee, but get an allowance of three annas upon it. I have worked that out in my figures. He would substantially pay what he would have to pay if he paid in the old rupees the first year; the second year there would be an increase of one-sixteenth; the third year there would be an increase of one-sixteenth again, and the fourth year he would pay in the imperial rupees.

2670–1. But would not that necessitate the coinage of a very great quantity of these imperial rupees, if the land tax is to become payable in them?—It would, and for that it would be necessary to provide in the first instance. There are two ways in which a remedy for any difficulty of that kind might be provided. One is, before the instalments become due of the land tax, the times of which are all fixed and well known, to require the village messenger to be

sent in to take out a supply of the imperial rupees to each village, (just as now he brings in the old rupees under a guard to the Talooka Treasury, whence it is transmitted to the Zilla Treasury), which imperial rupees in exchange for old rupees should be supplied at the rate of the day as between silver and gold. The second method would be to issue temporarily a large number of one rupee notes. We have already in India an abundance of five rupee notes; but, in order to make this transition easy, I would issue a large number temporarily of one rupee notes—that is, one imperial rupee notes—which could easily be sent to every village, and there supplied, at the proper rate between silver and gold, to those who wished to procure them. They would take these up and pay revenue in them, and then the one rupee notes could easily be withdrawn as they came in to Government, they having already in their hand the silver with which these had been purchased.

2672. (*Mr. Currie.*) But would it not be to be apprehended that, if you had two kinds of rupees circulating in the country, the old rupee would be discredited, and that in the minds of the natives of India it would lose a great part of its value. Is it desirable to disturb, if it is not absolutely necessary, the coin on which they have been accustomed, for 50 years at least, to base their transactions?—I should say it is not desirable; it is not at all desirable if it can be avoided.

2673. I think you used the analogy of half-crowns and shillings in England; they cannot be made to circulate at a fictitious value?—They are so circulating.

2674. What advantage has your scheme over making the present rupee circulate, if its coinage were limited?—I thought I had explained that. First of all, there would be a loss on the whole mass of existing rupees, which, being variously estimated, is not, I think, estimated by anyone at less than 200,000,000*l.* sterling in India. The Government say: "We will "take these on a gold basis, and accept every existing "rupee which is now worth 1*s.* 2*d.* or 1*s.* 3*d.*,—we "will say we will accept that for 18*d.* in gold." Why, there would be a loss, of course, of one-fifth or one-sixth on the whole mass, be it 200,000,000*l.* or 300,000,000*l.*, existing in India at present.

2675. But do you think that these rupees would never rise in value if the coinage were stopped?—No.

2676. Never?—I do not think that they would rise materially; they would rise a little, but I do not think they would rise very materially, because other means would be found if you raise your rupees artificially; other means would be found in India very soon, for dealing either in bullion, which, of course, then would circulate at a lower value than your artificially raised rupees, or in gold, which, compared with your rate, would be more advantageous to deal in in India.

2677. (*Chairman.*) You think that a probable result of stopping free coinage, and artificially raising the rupee, would be that you would get transactions carried out by the transfer of bullion instead of coin?—I think you would very largely. Then another effect of it would be to call into play, what, perhaps, is only another phase of the same statement about bullion. You would get an enormous increase of circulation in British India of the outlying States' rupees, which they have a right to coin *ad libitum.* Take, for instance, the Gaekwar of Baroda's or the Nizam of Hyderabad's rupees.

2678. (*Mr. Currie.*) But, as a matter of fact, they do not circulate in British India at present?—Yes, some or other, all over.

2679. The evidence hitherto before us has been that they have not?—I was going to explain in what way. In all the border Talookas and Zillas of the Bombay Presidency, which march with the Gaekwar's territory, it is common knowledge amongst the district officers that the Baroda rupees, which are worth about nine or ten per cent. less than ours, do circulate in the markets, and are readily taken and passed at that rate—Baroda rupees, Babashahi rupees. We have endeavoured,—I think a proposition was made again, when I was a member of the Government of Bombay a few years ago,—to induce the Gaekwar of Baroda, for the public convenience, to adopt our rupees, as a good many princes have, but he positively refused; he would not entertain the notion. Again, the Nizam of Hyderabad has his own rupees, and, of course, the mass of rupees necessary for a territory like the Nizam's is considerable. Well, suppose you enhance the value of your rupees in India,—the Government rupees,—in the way we suppose—namely, by suppressing the mints, and allowing gradual wear and tear and waste to raise those to an artificial value, what are you to do with those native princes who have a right of coining? They could coin and make the equivalent profit, and to any extent; and, unless you impose on them your imperial prohibition against coining at all, your scheme defeats itself, because, for every 1 per cent. that your rupees rise in value, there will be a gain of 1 per cent. to them on coining, and the difficulty there is now in getting their coins to circulate at a distance from their own territory will be surmounted by the half per cent. or 1 per cent.; and, when it gets up to 5 or 10 per cent., why there will be a very large profit, and their rupees will supersede our own in our markets, continually going to a greater and greater distance from their borders.

2680. (*Chairman.*) Surely not, because you say at present there is a discount of 9 per cent. on a Nizam or a Baroda rupee. Surely there will be a discount of 19 or 20 per cent. It is not proposed to force the natives of India to take Nizam or Gaekwar rupees as legal tender. Clearly they would refuse to take them, because they would not be able to part with them in exchange to anybody else?—Well, the answer to that is this; the discount of 9 per cent. which I spoke of is the discount arising from there being 9 per cent. less silver in his rupee. It is not really a discount, in the sense that they have absolutely equal values, viewed from an impartial standpoint, and yet the one circulates for a larger amount than the other; but it is that intrinsically the quantity of silver is between 9 and 10 per cent. less, in the Native State's rupees.

2681. (*Mr. Currie.*) But the difference in value would then be 19 or 20 per cent. less, it seems to me.

2682. (*Chairman.*) They would still be less; intrinsically of less value by 9 per cent.?—Yes.

2683. (*Mr. Currie.*) But who would take them, unless he could pass them away to somebody else?—He could.

2684. How so, more than bar silver?—Coin has a generally recognised value, and bullion has not. Bullion requires assaying and examination, which ordinary persons cannot give it. When they see the Gaekwar's impression on a rupee, they know exactly what that rupee is worth.

2685. (*Chairman.*) And then it is silver in a small quantity, with a recognised value?—Exactly. Let us suppose a case: fifty of your enhanced rupees, enhanced by the absence of any fresh coining, say, for ten years, we will suppose that they have gone up 20 per cent., and these are tendered for something; well, if we suppose the intrinsic difference in the rival rupees to be 10 per cent., that would be 55 rupees of the Gaekwar; but, if your 50 rupees have gone up, so as to be worth 60 rupees, on account of your not minting any more at all, why, here is the quantity of silver I want in 55 rupees, 55 Gaekwar's rupees. I will take them in preference to your 50, because, although formerly they were of less value, now they are of more, now there is as much silver in them as in your 50 rupees, which are at a scarcity value of 60 rupees. I prefer these which are not at a scarcity value.

2686. (*Mr. Currie.*) But surely only if you can pass them off to somebody else. Nobody takes a coin, does he, unless he has the certainty that he can pay it

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away again?—No, but coin, except as a token, ultimately circulates at the value of the metal in it.

2687. (*Mr. Courtney.*) Would it be impossible to prohibit the circulation of the Nizam's or the Gaekwar's rupees? Not long ago the circulation of Papal money was effectually stopped in France?—Papal money is not a legal tender in France; some native rupees are in India.

2688. Nor, under this scheme, would the Gaekwar's or the Nizam's rupees be so?—They would not be legal tender. I am not acquainted with the particular case you put, but the circulation of Papal money in France, at its intrinsic value, by agreement between the parties, I suppose, was not prohibited.

2689. No doubt it could always be sold as bullion; but, at a time when the silver lire of Italy and the francs of Belgium were freely circulated and received in France like French francs, Papal coinage was stopped, and, if you had any one of them in your pocket, you would find it difficult to pass it; nobody would take it?—Yes, it is possible that some difficulty might be put in the way by arrangements of that sort, but I do not think that they would be effectual in India. I think that, if you have got your Government silver raised to anything like a considerable premium beyond its intrinsic value, the people would take the silver of the Nizam, or they would take the silver of the Gaekwar, for their goods, which they could get at 20 per cent. less, rather than our silver, for which they would have to give 20 per cent. more in goods.

2690. (*Mr. Currie.*) But the State would not take it, would it; the Government would not accept these rupees?—No, they would not.

2691. And when the public found that out, would they not very soon decline them then?—No, they would prefer paying the Government in their enhanced rupees, and carrying on their own transactions in silver at a lower value.

2692. (*Mr. Courtney.*) We have had a more recent case of the efficacy of prohibition. Not long ago there was an abundance of French copper coin in circulation in London?—Yes.

2693. Now there is none?—That had no intrinsic value, or a low intrinsic value.

2694. That is not the point; the question is whether by force of a decree you can prevent the coming in of a coin from the Nizam's and Gaekwar's territories, which in weight, size, and appearance, is identical with your own coin?—Although you think it is not the point, I think it is the point, or at any rate it is a portion of it, for this reason, that, if your French money had had an intrinsic value above the English money—I do not mean above our mere copper tokens, but if it had been worth in gold more than it was circulating for with us, your prohibition of accepting it would have been ineffectual, but, as it was a mere token and no one had to gain anything by transgressing the order, by taking it, why it naturally disappeared. But, suppose you prohibited the use in England of French 20-franc pieces—you prohibited the introduction of them—and your own sovereigns, on account of a restriction in minting, were circulating at a premium as against goods for internal commerce in England of 5 per cent., do you think your prohibition of the introduction of French coins would be effectual? It would not, because, either in the shape of bullion or coins, they would still be introduced as being more convenient, and people would prefer to take 25 francs in French gold to 20 francs in English gold, if the English gold had to purchase things at a discount, itself being at a premium.

2695. (*Mr. Currie.*) How do you account for this fact, which is of daily occurrence in France—a five-franc piece bearing the stamp of any member of the Latin Union circulates as a fourth part of a napoleon, but a South American piece, with which one is often planted at a restaurant, is only worth fr. 3.50. That is a fact within the knowledge of every money-changer in Paris. How would you account for that? It is exactly the same weight, and exactly the same appearance, except that the stamp is different?—Well, of course, the silver franc in France may be considered to pass at present at somewhat of a premium, and they do exchange francs under pressure for gold itself in France.

2696. Who does?—The Bank of France.

2697. No?—For a small commission you could get gold at the Bank of France.

2698. You may get anything, but there is no such obligation?—No, there is not a legal obligation.

2699. The power that the Bank of France has is to pay either in silver or in gold?—That is so; and gold, though a legal tender, cannot be demanded. But, however, it might be as between the American dollar and the French five-franc piece. I feel quite satisfied, from what I have seen myself of the circulation of the native coins in India, that, if you raise your own rupees to a premium, you must accompany that with a prohibition of coining on the part of the native princes.

2700. (*Chairman.*) Have you had personal experience of the circulation of these native coins in British dominions?—Yes, very large, but not at a great distance from the States.

2701. (*Mr. Courtney.*) Along the border?—Along the border Talookas.

2702. (*Mr. Currie.*) Have you any estimate of what is the total coinage of the Gaekwar or the Nizam?—No, I have not; the amount is small now. While his coins circulate in our territory, I must add that our coins circulate in his territory along the border to a still larger amount; but, if you take a state which is not Baroda and which is not British territory—take Rajpeepla, a dependent state—there both coins circulate together, and accounts are still kept in what are called the Baroda rupees. And in a state like Cambay, which also can coin its own rupees, they have a mint there, and their coins circulate outside their territory, but not to a large extent.

2703. (*Lieut.-General Strachey.*) Is not the explanation of the circulation along the border to be found in the fact that, among these villages which lie along the border, if you receive the foreign rupee, you can also pay it back again, in the same way that the foreigner will take the British-Indian rupee because he knows he can pay it back again? It is the old story that the value of the money really to the world depends upon the fact that you can pay back what you receive?—Well, I take it that that is the reason why the precious metals circulate at all; if you could not get anything back for them, no one would take them; they have no sale generally of their own, at least when converted into money.

2704. (*Chairman.*) I understand you are not speaking of the present state of things; your apprehension is this, that, if the Indian mints were closed and coinage ceased so that the rupee were gradually raised in value, and these native mints were opened and silver largely fell, they might coin their rupees even to be of such intrinsic value as the Indian rupee, and then make a profitable thing of it and get them into circulation?—But whether they raised their rupees to the intrinsic value of the Indian rupee or not would, I think, be immaterial.

2705. You mean because of the knowledge of the relative value?—Suppose they were worth half as much, the knowledge of the relative value of these rupees is diffused far and wide, and, if you have one hundred Babashahi rupees even in Bombay, which is a good way off from the Baroda territory, the only sum you have to pay for getting them changed into the imperial—the present imperial rupees, is the exchange between the two places, which is the cost of transit; there is no difficulty about it. But, if you come to Ahmedabad, the chances are that there there will be no difficulty at all, any sowkar will take them, because they are universally known, that being at a distance perhaps of 30 or 40 miles from the nearest point of the Gaekwar territories. But put a premium on these by enhancing the value of silver in our rupees to 10 per cent. or 20 per cent., and of course you give a strong stimulus to the use of these rupees. If you sell goods for British rupees, you get 20 per cent. less than their proper value in silver; if you sell them for the

Gaekwar rupees, you get their whole value in silver, according to the estimation of the people.

2706. There would need to be a very considerable expansion, I suppose, of the minting capacity in either Baroda or Hyderabad, to bring about such a state of things?—Yes, it would be a gradual process, but manufacturing facilities increase very rapidly when there is a large profit to be got. But allow me to say that this is only an instance, I think, by which silver, as such, would be made to take the place of the coined rupees, if your coined rupees go up to any extraordinary rate;—a very small artificial increase created in that way would lead to substitutes for them in India, for in all matters of that kind the Indian sowkars are particularly skilful. They are particularly skilful in all matters of determining the relative position of bullion and silver coin, because silver is melted down perpetually, and the relations also of the native coinages to our own are a matter which is familiar to every sowkar in India. I think not only would the native States, unless they are put under prohibition, sell their rupees at a small premium and supersede ours, but you would have bullion introduced, and made available by the ingenuity and the skill of the native sowkars; and traders in India are quite equal to this, that, if they found your rupee circulating at a large premium, means would be found to carry on the business in silver instead of our rupees, as sycee silver is used in China.

2707. But would not the same thing result to your imperial rupees, if silver fell much—namely, that they might be displaced by the native State rupees?—No.

2708. Why?—Because they would always rest, as our shillings and crowns do, on a gold basis. The only alarm I should feel would be that of counterfeiting; but we find that, by good arrangements, counterfeiting goes on to a very small extent, and, moreover, for a series of years I would still allow transactions to be carried on at the option of the parties in the old rupees.

2709. (*Mr. Currie.*) At the same value?—No, no; in the rupees at their market value, rupee for rupee.

2710. But I understand you would stop coinage?—I would not stop coinage yet. I would allow the business to go on as long as the people liked, or at least for a term of years, in the old rupees, side by side with the new, at the option of the parties.

2711. (*Chairman.*) Would not that be likely to cause a good deal of confusion, to have two sets of rupees, in both of which, to a certain extent, accounts would have to be kept?—I think the effect would be that there would be a slight and gentle pressure on the community generally, such that there would be very soon a transfer of nearly all accounts into the imperial rupees, for two reasons. First, that Government would so keep its accounts, and there would be a continued necessity for adjusting old rupee accounts to the new accounts of the Government in the imperial rupees; and, secondly, that everyone would feel very soon that steadiness of value required accounts to be kept and engagements to be made on this gold basis which had been adopted by the Government.

2712. (*Mr. Courtney.*) I do not quite follow your argument in saying that, if we attempted to give artificial value to the present rupee, we should not only be exposed to the danger of the Gaekwar's rupees coming in, and the Gaekwar making a profit at our expense, but we should also be exposed to bullion coming into circulation?—Yes.

2713. How could bullion come into circulation, except as a commodity which would be of less value than the artificial rupee, weight for weight?—Yes, it would. A man has his ten bales of cotton to sell, and perhaps he trades on the border line. He trades with native States, and a large quantity of our cotton does come out of States like Baroda and others of that kind; he is a trader living, we will say, on the border or near the borders of the Gaekwar territory, and he wants to sell five bales of cotton. If he sells them for our rupees, he gets less value in silver for his five bales of cotton than they are really worth.

2714. He gets less weight in silver?—Yes. Well, instead of taking our rupees at an artificial value, he can get silver certified by a sowkar in whom he has confidence, giving a full value; he gains 10 per cent. over our rupees by that, supposing the process has been successful in enhancing our rupees.

2715. Not necessarily, if you carry out the complete hypothesis. Our rupee is of an artificial value, having relation to a certain weight of gold, and you might get your coined rupees through the medium of gold transferred into its equivalent value in bullion, that is, into an additional weight of silver bullion?—I do not quite follow that.

2716. Under the hypothesis, the artificially enhanced rupeee would be worth more than its weight in silver?—Circulating in our territory, because we could give it an artificial value, and that is the point; I was coming to that. The seller of the five bales of cotton gets tendered to him our rupees, which by the hypothesis are circulated at the artificially enhanced value; well, instead of that, he gets the real value of these five bales tendered to him in silver—he naturally, if he can make use of the silver, will take the silver rather than the rupees.

2717. Not if he can get the rupees easily changed into that same weight of silver. You are thinking of the circulation and the conduct of business within our own territory?—Yes; well, but let us carry it out on my view of the subject. First, he takes the silver and he carries that silver into the Gaekwar's territory or the Nizam's territory, and here it is coined into rupees which are immediately available, and are available at 10 per cent. more than our rupees for purchasing more cotton, which he can sell again.

2718. That is coming back to the process that we would be exposed to the danger of having rupees which are not false, but rupees coined to the profit of a native potentate, brought into circulation in our dominions?—Well, now I will go a step further, what is the effect of coining in the Gaekwar's territory or the Nizam's territory? it is merely to put a certain stamp of fineness on the silver. If people are once satisfied of this fineness and this weight of silver in other ways, no matter how it may be, this silver will circulate for its real value in preference to the artificially raised rupees; and I think that means will be found before long, if the difference is very great, to circulate silver in that way, and so prevent the operation of enhancing the value of rupees to any large extent from succeeding. The Germans now coin rupees for East Africa just like our own, and as to these no doubt would be felt.

2719. You see you put before us an elaborate plan for setting up a new and different rupee, involving a modification of the land revenue and many other things which would be extremely inconvenient?—Yes.

2720. And the Lord Chancellor asked you what is the advantage of this substitution of the imperial rupee, for the plan of restricting the coinage of the present rupee and taking that present rupee at 1*s.* 3*d.* or 1*s.* 4*d.*, instead of the imperial rupee at 1*s.* 6*d.*; and then all things would go on in future as under your scheme they would go on under the imperial rupee. I understood you to give two reasons against that; first, that we should be burdened with the necessity of accepting the existing stock of rupees?—Yes.

2721. At the corresponding value in gold?—Yes.

2722. And next, that we should be exposed to the risk of the neighbouring potentates flooding our circulation with their rupees?—Yes, or of other means being found to carry on transactions in good silver.

2723. I am not sure that you proved the last, but I accept these. Have you any other reasons besides those three?—Well, those are the reasons which would make the attempt to circulate our own rupees at a gradually enhanced value ineffective.

2724. (*Mr. Currie.*) Are those difficulties found in France, where there is an approximate amount in francs equal to the estimated total rupee currency,

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which has been estimated at 200,000,000*l.* sterling; does that difficulty arise, and are transactions settled there either in the coins of neighbouring countries or in silver bullion?—I do not think that they are in France settled in the coins of other countries, except wholesale transactions, which I suppose are carried on considerably in gold. I think wholesale transactions between France and other countries are settled in gold.

2725. It is not the case, is it, that the effect in France of giving an artificial value to silver francs has been to induce the settlement of transactions in silver bullion?—But I am not sure that, up to the present point, the effect has been to give an artificial value to francs to any large extent, as francs are really now computed, *i.e.*, as representing gold.

2726. But surely it is valued at 15½ to 1, whereas the true proportion is 24?—Not unless it is freely interchangeable.

2727. (*Chairman.*) Your point is that, on payment of a small premium, you can get gold, or the people believe they can get it, or rely upon getting it, if they want it in exchange for these francs?—Yes, so far as they need change.

2728. And that is what protects them?—That is what keeps the stock of gold and the stock of silver fairly equivalent,—the demand for exchange being limited, and silver exchangeable on certain terms for gold.

2729. (*Mr. Courtney.*) Now, taking your two difficulties, if the rupee, the artificial rupee, were started at no very great difference from its present intrinsic value, and the mints were closed to silver, would the burden thrown upon the Indian Government of taking the existing silver currency be formidable, having regard to the experience of France?—Well, a great deal depends on what silver goes to. If silver largely goes down, and they get only rupees to which they are entitled at present, of course the burden of making their home remittances will increase year by year.

2730. You stop the coinage of rupees; you have free coinage of gold, which was your own hypothesis; and you think then the burden of accepting those rupees which are in circulation at an enhanced value, though at an enhanced value not at first very different from their intrinsic value, would be so serious as to require the adoption of your alternative scheme?—I think so. Suppose the Government of India does cease coining, that does not in any way affect the value of its rupees outside its own country, and the home remittances will have to be bought in rupees, not at their enhanced value in India, but at their intrinsic value in the market of the world in relation to gold.

2731. That would apply also, would it not, to your imperial rupee?—No.

2732. Not the same argument?—No, it would not.

2733. Because the stock of your imperial rupees would not be in circulation?—According to my plan, you put your imperial rupees on a gold basis, and your silver rupees, although legal tender to any amount in India, would be tokens; they would not circulate outside India, and you would not purchase your home remittances in them, but you would purchase your home remittances in gold, or in silver equivalent to gold, the basis being gold.

2734. (*Chairman.*) Is that because you make your imperial rupee exchangeable against gold, that is to say, you can get gold for it?—You can get gold, or an equivalent amount of silver at the exchange of the day.

2735. (*Mr. Courtney.*) But that is the other hypothesis; you expressly raise the danger of the necessity the Government would be under, of accepting the arbitrary rupee in exchange for gold?—I do not quite follow that.

2736. You cannot create that as a danger, and then say it does not exist?—I do not quite follow that.

2737. The alternative scheme against which you put your scheme is that of stopping the coinage of rupees?—Yes.

2738. Accepting the rupee at a certain fixed relation to gold?—Is that the alternative?

2739. Yes, as I understand it, that is what you put before us; and that is what I put to you?—I confess that is new to me as a scheme that the Government of India have contemplated at all.

2740. That is the proposal of the Currency Association; that is one of the schemes that was before us, and the principle is independent of 18*d.* or 15*d.*, or whatever you like?—If one were to take 1*s.* 4*d.*, 15 rupees would be equivalent to 1*l.*, and you would then define your rupee I suppose as one-fifteenth of 1*l.*—that is a conceivable thing.

2741. Does not that avoid all the necessity of a new coinage, of the transformation of the land revenue, and everything else?—Well, there are two or three things to be said about that. I have considered the thing from that point of view, and, first of all, if you say that you take it at one-twelfth of 1*l.*, that does not make it one-twelfth of 1*l.* in any way. It would be less than one-twelfth. Suppose we take, instead of 1*s.* 3*d.*, 1*s.* 8*d.*, if your rupee becomes intrinsically worth less than one-twelfth of 1*l.*, no matter how many of them you receive, all your home remittances would have to be made by purchasing gold, that is what it practically comes to, not at one-twelfth of a £ for each rupee, but whatever the market price might be; and, supposing the rupee falls to one shilling, one-twentieth of a £, you would have to give 20 rupees for every £ that you remitted to England.

2742. (*Mr. Currie.*) How do you prove that fact; at present the way of obtaining gold in England is by selling bills for rupees, is it not?—Yes.

2743. You would still, I presume, sell bills for rupees?—Sell bills.

2744. And the only obligation on the part of the Government would be to deliver to the buyer rupees; then how do you say it would be in silver, and not in rupees?—Well, the process which takes place is this: a man exports goods to England, and he gets a bill on England, say for 500*l.*; he goes to a banker in Bombay or Calcutta, and he sells his bill on England for rupees at the rate of exchange of the day, and with those rupees he goes and pays the native trader with whom he has already made a bargain in rupees for the goods he has bought, and so you get silver translated into gold at the rate of the day; that is the method of business, but unfavourable exchange is a premium on exportation viewed from that standpoint, and, the more rupees there are, the more you get at equal prices for your gold note in goods.

2745. (*Mr. Courtney.*) Are you following that up under the transformed condition, or under the existing condition of things?—I was replying to the suggestion of the gentleman who spoke just now.

2746. (*Mr. Currie.*) You stated, I think, did you not, that the Government of India, or its representatives in England, in selling Council bills, would not get rupees of the limited kind, but would have to fix the exchange in silver; I asked you how you proved that, and I fail to see it?—Well, it is necessary to go a little more into the detail of the transaction. The Government of India wants money here, say 100*l.*, and its bill is bought by a merchant or a banker here. That is what takes place, and the merchant or banker here will give 100*l.* for so many rupees to be got in India. But the rupees to be got in India are really translated into goods, and the gold price of the goods in India depends not on what rupees are there; it depends on what can be got for the goods in gold in England; and the banker or trader gives his 100*l.* here for what, when it is turned into goods there, will produce him, say 105*l.*, some profit, whatever it may be; and, no matter what your rate of rupees may be in India, things are made to adapt themselves to this, that, when the goods which he gets for his bill there come back, they are translated again into gold, and he gets his 5*l.*, and that ratio does not depend on what you artificially raise your rupees to in India. Of course, if you artificially raise them, the

rupee prices will fall accordingly; the price in your rupees will adapt itself exactly to the exchange.

2747. (*Lieut.-General Strachey.*) But does not what is described as giving an artificial value to the existing rupee simply imply that in the future the rupee cannot be procured in India, I mean no additional rupee, excepting at the cost of whatever is fixed as the artificial equivalent to gold, exactly in the same way that it would be necessary to give that equivalent in gold for the creation of your proposed imperial rupee; I see no difference?—Well, what I think is that, whatever you raise your rupees to artificially in India in that way, supposing they are not on a gold basis——

2748. (*Mr. Courtney.*) That is the hypothesis?—That it is on a gold basis?

2749. (*Lieut.-General Strachey.*) That is the hypothesis, quite so?—That you make your rupee equivalent to 15*d.* in gold; well, then, of course, that comes to a certain extent to what I have proposed, the difference being substantially between 18*d.* and 15*d.*, but with this difference, that you saddle yourself at 15*d.* or 16*d.*, whatever it may be, a-piece, with all the rupees which are now in India.

2750. (*Mr. Currie.*) Who saddles himself?—The Government.

2751. Are they the possessors of all the rupees?—No; but they come in to them, and they are bound to accept them at that value.

2752. (*Mr. Courtney.*) They are bound to accept them?—Whereas according to my scheme they would not receive them at that value, they would receive a higher value, because they would issue their imperial rupees in exchange for gold at a higher rate by degrees.

2753. (*Lieut.-General Strachey.*) But, when you say that the Government would be liable, are you not assuming that the Government would be bound to give gold in exchange for rupees on demand?—Gold, or else silver at the exchange of the day.

2754. No, I mean gold?—Gold or silver at the exchange of the day, seeing that the revenue would be paid in rupees valued at a fixed gold price.

2755. I ask, is not your assumption that the Government should be compelled to give gold coin in exchange?—No, not necessarily.

2756. Of course giving silver coin in exchange for silver coin means nothing?—Yes, it does, according to the basis.

2757. (*Chairman.*) Is not your scheme based on the assumption that there will be no further fall in silver?—No, it anticipates a further fall.

2758. Supposing there is a further fall, equal to the difference between the present rupee and the imperial rupee, will not the bottom be knocked out of your scheme; you will have the same thing over again; you will have what you seek to avoid, a rupee with a fictitious value?—No, I look for a rupee circulating in India at a fictitious value. That is part of my scheme, silver tokens doing all the work, but resting on a basis of gold.

2759. (*Mr. Courtney.*) What I understand you to put forward as the difference between the scheme now suggested to you and your own is this, that under the scheme now suggested to you the Government would have to face the fact of 250,000,000*l.*, or whatever it is, being in circulation in silver, and it is going to accept that in all its receipts transformed into a fixed relation to gold?—Yes, quite so.

2760. Then it becomes a matter of convenience whether that is a real risk so formidable that you prefer, instead of facing it, to have a new coinage of rupees, a new land settlement, and all the other changes which are involved in your plan?—Just so.

2761. (*Lieut.-General Strachey.*) What is the nature of the risk; I fail to understand the nature of the risk that the Government has in giving the artificial value to this 180,000,000*l.* or 200,000,000*l.* of existing rupees.

2762. (*Mr. Courtney.*) The artificial value being not very much above the real value.

2763. (*Lieut.-General Strachey.*) I asked, what is the nature of the risk?—The enhancement of 50 or 100 per cent., let us suppose,—so that, your rupees being worth 10*d.*, you say they shall be worth 20*d.*

2764. But this does not explain what is the nature of the risk?—The nature of the risk is this, that Government takes a large quantity of rupees as worth 20*d.* each, and has either to keep them, or else to use them to pay its home remittances practically at 10*d.* each, and it loses half on every rupee it takes and uses in that way. That is the great difficulty, and that is the source of all the difficulty there is now.

2765. (*Mr. Courtney.*) What is really wanted is such a transformation as shall secure that a certain number of rupees brought in to you as land revenue shall be readily changed into a certain number of pounds, to be paid in London?—Of course that is the great point.

2765*a*. That is what you want?—Yes.

2766. (*Chairman.*) Apart from the trade difficulties which arise from the fluctuating exchange, the sole difficulty is the necessity of settling in this country a large payment in gold?—Those are the great difficulties.

2767. Apart from the effect produced upon the officials of the Government who have to remit home?—Yes, the great difficulty is to provide, out of the revenue received by the Government of India in India, large remittances in gold to come to this country, the cost, as we see, rising to an enormous amount year by year, and tending to grow greater.

2768. (*Mr. Courtney.*) And you admit in principle that that could be met (looking forward some 50 years) by a circulation of rupees having a nominal value in relation to fixed quantities of gold?—Just so; yes, certainly.

2769. But you object to adopting it now with respect to the present rupees, because of the burden consequent upon facing the existing stock of rupees?—That is the chief reason, yes. There are some minor difficulties to which I have referred some while ago.

2770. The minting of the border princes?—Yes, and the possible introduction of a system of carrying on transactions in silver bullion, and also in gold bullion, like sycee.

2771. That must be attached to your plan as well as to the others?—It would be needless in my plan, because every token would represent a certain quantity of gold, and no more would be issued than would be requisite.

2772. (*Chairman.*) Your point, as I understand it, is that your imperial rupee would represent so much gold, because you could get so much gold as against it?—Yes, of course; it is a silver note.

2773. That, if you were to undertake to give gold at a certain rate against the whole of the existing silver in India, that would be a very big operation indeed; but, if you were to undertake to give gold against your imperial rupees in the first instance, that would not be a very big operation, and would only get bigger by degrees?—Just so, yes; and, if you undertake to give gold at the present price against 250,000,000*l.* worth of silver, and it goes down 25 per cent., of course you are landed in a cost of 62,000,000*l.* sterling.

2774. (*Mr. Courtney.*) If you had to give it?—If you had to give it.

2775. (*Mr. Currie.*) But to whose advantage would it be to require you to give it?—Why, if the silver goes down, I take it that you have to buy your home remittances in gold at the rupee's price as silver; you cannot get out of that, if you get your revenue paid in silver, and you have to provide your home remittances in gold. Turn it in any way you will, you cannot get your home remittances without selling your silver for gold at the market rate; you may complicate the transactions as much as you like, but that is what it resolves itself into eventually; and, if you now undertake to fix a particular price on existing rupees, say that there

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are 250,000,000*l.* or 300,000,000*l.* of them in India, you will get those rupees brought in to you for a long series of years, and you will have to make your home remittances, and every year, as silver goes down, you will have the loss on exchange as it is called increasing from year to year, no matter whether your rupees circulate for this purpose in India at an enhanced value, or not. You take them at a high value and sell at a lower, unless indeed you keep them. You may enhance them for internal purposes; we know that coins have been enhanced in England very considerably; but, when it comes to outside transactions, you can no more enhance the value of your rupees than you can your bank notes, which were circulating in England during the war against guineas selling at 27*s.*

2776. (*Mr. Courtney.*) But the fact that you have enhanced their value locally does provide you with other commodities at that enhanced value to send away?—Yes, in proportion to the nominally enhanced value.

2777. (*Lieut.-General Strachey.*) Surely, when you talk of the enhanced value of the rupee, you mean artificially enhanced by reducing the number of them available?—As against commodities in India.

2778. As against commodities in India?—Yes, that would be a real enhancement, though only local.

2779. But further, that, by limiting the coinage of the rupees, you also make it more difficult to get them. Persons who want to obtain rupees, and therefore people who having gold and wish to obtain rupees, will have to pay a higher price for them?—Higher price for what?

2780. The rupee; the rupee would become more valuable?—Than——

2781. That is the meaning of an enhanced value, I apprehend?—Very well.

2782. Then the question that I ask you is this—in what respect does that operation differ, whether you accept your existing rupee or whether you take your imperial rupee? I can see no distinction. The sole question, as I understand it, is as regards the number of rupees that have year by year to be sold or to be paid for gold?—Of course there is a great resemblance, and the chief difference is this, that you saddle yourself with the responsibility of exchanging the existing 200,000,000*l.* or 300,000,000*l.* sterling in silver for gold, at a particular rate which you fix.

2783. Is not that assuming that the Government undertakes the liability to convert, which conception is not necessarily involved?—Whether you do undertake or not, you must do it, I say, because every year you must receive rupees,—that is, silver over-valued,—and you must transmit your millions to England, and these millions you must transmit to England in gold, and the only means you have of paying these millions is silver which you will receive; and that silver, which you will receive at 25 or 50 per cent. above its bullion value, you cannot exchange against gold in England except at the market rate of the world.

2784. Not silver; what the Government receives is rupees?—It is, but what does it receive? You may call them what you like, but a man brings you in a bag of silver. You say: "These are rupees, and they are worth so much"; but the value of them in the market of the world is that of silver as against gold.

2785. (*Chairman.*) There is no doubt that, if the imports into India in goods equalled the exports from India in goods, the only way in which it could pay its debts would be by means of its coinage as bullion?—Just so.

2786. But what is suggested is that, so long as there is a considerable balance in favour of India, that is to say, its exports very considerably exceed its imports, then those who have to remit to India must for that purpose purchase rupees by means of gold, in order to discharge obligations in India; and, if you limit the number of rupees in India, they will be willing to give more gold for them; and in that way the transaction will be settled—it may be more advantageously for the Indian Government. That I understand to be the position?—Well, if you succeed in raising the value by limiting your minting, if you succeed in raising the value of rupees in India as against commodities, the export trade at present rates will stop; you cannot export at a profit; and the effect of that would be to bring down your rupee price, just as much as you have artificially enhanced your rupee, in order to carry on the trade. Suppose you double artificially the value of your rupee in India, yet for all goods which are extensively exported the governing factor is the exporting price and, if you enhanced your value of rupees and of goods, then, in order to export, you must again bring down the nominal price of the goods to just the same extent; that which you sold before for a rupee you now sell for eight annas, because your rupee is called two rupees; that is what it comes to, you must do it in order to get your exports away.

2787. That assumes that the prices would always follow any change of that sort?—Prices practically do follow, I think, a change of that sort at a very short interval; now, when there are telegraphic communications, they do very speedily follow a change of that sort; and, artificially raise your rupee by any method you like to any value in India different from what it is in the market of the world, your rupee price must fall in order to carry on your export trade.

2788. I think we have now your suggested scheme, Sir Raymond, unless there is anything special that you would wish to add?—I did add to my memorandum a few remarks on the methods by which, supposing difficulties continue, the taxation of India might in some ways be readjusted, and the method of raising public revenue dealt with in order to ease the burden of Government, but I do not know that it is worth while to dwell on that.

2789. That is in the memorandum?—That is in the memorandum, yes.

The witness withdrew.

Adjourned.

At the India Office, Whitehall, S.W.

ELEVENTH DAY.

Wednesday, 15th February 1893.

PRESENT:

THE RIGHT HON. LORD HERSCHELL, THE LORD HIGH CHANCELLOR, THE CHAIRMAN, PRESIDING.

THE RIGHT HON. LEONARD HENRY COURTNEY, M.P.
SIR THOMAS HENRY FARRER, BART.
SIR ARTHUR GODLEY, K.C.B.
LIEUT.-GENERAL RICHARD STRACHEY, C.S.I.
MR. BERTRAM WODEHOUSE CURRIE.
MR. HENRY WATERFIELD, C.B., *Secretary.*

SIR JAMES BROADWOOD LYALL, G.C.I.E., K.C.S.I., called in and examined.

Sir J. B. Lyall, G.C.I.E., K.C.S.I.

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2789*a*. (*Chairman.*) You have been for many years in the service of the Government of India?—I have.

2790. During the last five years of your service in India you were Lieutenant-Governor of the Punjab?—Yes.

2791. You ceased to be Lieutenant-Governor in March of last year?—In March of last year.

2792. Of course you have had large opportunities of forming an experience as to how the native population would be likely to be affected by changes made by the Indian Government. You are aware that it has been proposed that the Indian Government should stop the free coinage of silver, that that might be followed by a rise in the rate of exchange, and that it might be done even with the intention of creating such a rise. Supposing that the Government were to adopt such a step as that, do you think that it would be likely to attract the attention and affect the minds of any considerable class of the population of India?—No; I do not think it would, if it were done in such a way as not to provoke a violent rise. If it were done to keep things very much as they are, or to keep them about as they are, I do not think it would affect the minds of any large class.

2793. That is to say, to keep the exchange at about its present rate; to prevent it from falling lower?—Yes.

2794. You think that that would not be likely to excite any strong feeling?—No, I do not think it would.

2795. Dealing with that case first, do you think, if the step were followed by a heavy fall in silver, so that the intrinsic value of the rupee as silver became much less than the fixed ratio, that attention would be excited, and that any feeling would be caused?—Well, some attention would no doubt be excited, but I do not think there would be very much feeling. Of course it would affect a certain number of people who have hoards of silver, and it would affect all the peasants and people who have got hoards of silver in the shape of jewels and things, but I do not think they would trace it to the action of the Government.

2796. You do not think, even if the native newspapers were to attack the Government on such a ground, and point out its effect in that respect, that that is a matter which need be regarded with apprehension?—No, I do not think that is a sort of thing that would be a burning question in India.

2797. And as regards the ryot, the cultivator, you do not think that the mere steadying of the rate of exchange at or about its present position would be calculated to excite alarm and strong feeling?—No, I do not think it would. The ryot, particularly in the Punjab, the peasant proprietor, has been gaining greatly by the fall of exchange.

2798. But is he conscious that he is gaining?—No, I do not know that he is quite. Some of them understand it. To a certain extent they understand that rupees have got cheaper as it were, and that he is paying less in land revenue, and that he pays all his debts easier.

2799. Then, supposing that that process were stopped, he would feel that he was losing the chance of a further gain in that respect?—Yes, he might, but I do not think he would feel it clearly enough. If it were stopped in such a way—if exchange were raised so as to go much above what it is now, he might; but, if the operation only steadied it and kept it at something like its present low rate, nothing over 1*s*. 4*d*., or something of that sort, I do not think he would think that he had any grievance.

2800. Then, as respects its effect upon the people of India, you would draw a marked distinction between the effect of the action if it were merely to fix it at or about its present rate, and the effect of the action if it would cause any considerable rise?—Yes, I should be inclined to.

2801. Do you think there would be ground for apprehension of ill-feeling and agitation, if the latter course were followed?—Yes, I think there might be some; I think they might think that unfair.

2802. And you think the ryots would be quite capable of appreciating what would be the probable effect upon them of making the rupee, so to say, dearer instead of cheaper?—If it were done to a great extent.

2803. (*Mr. Courtney.*) What do you mean by a great extent, and much?—I mean if the rupee began to rise up again to anything like its old value.

2803*a*. If it ran to eighteenpence, would not that be?—I do not know that it would.

2804. You would not like to run the risk?—I should not like to run the risk myself: I should not like to run it up to 1*s*. 6*d*.

2805. (*Mr. Currie.*) You know that in 1890 it rose to 1*s*. 9*d*.?—It did for a moment.

2805*a*. Did that effect disturb the minds of the natives, or produce an unfavourable political effect?—No.

2806. (*Lieut.-General Strachey.*) Is it the fact that the prices of grain or commodities, generally speaking, in the Punjab have risen of late years?—Yes.

2807. Considerably?—Considerably.

2808. (*Sir Thomas Farrer.*) Is that grain generally, or grain that was near railways that are used

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for the purposes of exportation?—Grain generally. Prices are pretty even all over the Punjab.

2808*a*. All over?—They differ somewhat, but nothing to what they used to differ.

2809. (*Lieut.-General Strachey.*) That is not exactly the point: are you able to say that the prices when you left the Punjab were materially higher generally than they were five years before?—Yes, I think that is shown in the Material Progress Report. In my five years, although we had, I consider, on the whole, very good harvests, we never had any scarcity and no real failure, yet the average of the prices was steadily higher than the five years preceding.

2810. (*Mr. Currie.*) To what extent do you think the average rise has been?—In these last five years as compared with the preceding years?

2811. Well, rather taking the period since the rupee began to depreciate?—I have not gone into it particularly, but I should be very much surprised if it were not 40 per cent.—that sort of thing. In fact it is constantly made out to be more than that. I have had a great many of the settlements of the land revenue reports coming before me in the last five years, and many settlement officers make out that there has been a rise of about 60 or 80 or 100 per cent. That is over rather longer periods.

2812. (*Mr. Courtney.*) Over 30 years, I suppose?—Yes.

2813. (*Chairman.*) In part, I suppose, owing to the development of the country?—All along, I think, there has been a steady fall of money as compared with produce, in the Punjab.

2814. (*Sir Thomas Farrer.*) Is that with regard to all produce, or with regard to exported produce?—We may say as much; lately all produce seems to sympathise with wheat.

2815. What is consumed in the country, as well as what is exported?—Yes.

2816. (*Chairman.*) But, according to your view, that began even before the fall of the rupee?—Yes, that began before the fall of the rupee.

2817. So that you would not attribute it all to the change in the rupee; it would be partly due to whatever causes there are that have tended to make produce dearer?—Yes, money seems to have got cheaper and cheaper.

2818. (*Mr. Courtney.*) These estimates are made of the rise of 30 years?—Yes.

2819. From settlement to settlement?—From settlement to settlement, yes.

2820. And by officers whose natural interests would tend to put up the rental?—No, I think the tendency of those officers is to depreciate the rise in prices, because the rise in prices is so great that it would seem to call for larger increases than they find it convenient or think it expedient to propose. The figures go before Government, and the Government might say to them, "but your figures prove that you are under-assessing"; and the tendency is—I know it myself, for I have done a great deal of settlement—rather to depreciate the rise; it is a disagreeable task to have to impose a large assessment on the country, to meet all the people whom you have been in daily converse with for a number of years, and perhaps to put a huge increase on them—the tendency, therefore, is rather to minimise the rise.

2821. (*Mr. Currie.*) May I ask you whether a large increase in the land revenue is not more likely to produce political discontent, than any action of the Government, such as closing the mints?—Yes, we have already been making very large increases in the land revenue in the Punjab.

2822. Yes, but, as there is a deficiency impending over the Government, it must apparently increase the land or some other form of revenue, if it does not find another remedy?—Oh, I quite agree; I am bound to say that.

2823. (*Chairman.*) Is the land revenue constantly being revised in the Punjab?—Every 30 years was the old rule; we have reduced the term in a great many cases to 20. The Government of India has been pressing us in various sorts of indirect ways to reduce it to 15.

2824. Now, supposing that the effect of stopping the free coinage were to raise the value of the rupee, and the result of that were to make the price of produce fall just as you say it has been rising in times past, would not that be likely to create discontent amongst those whose revenue has been fixed when money has been getting what you call cheaper?—I think they might resent it if the effect was large; if it was not large, they would not notice it.

2825. With regard to what you said about their not being agitated by the rise last year or two years ago, that was not due to any action of the Government?—No.

2826. Do you think that they would recognise the difference between a change which took place, just as a fall might, automatically, owing to the state of the silver market, and a change which was produced by the action of the Government in dealing with the mints?—If it were a large rise, and it was pointed out to them by agitators and other people that it was due to an action of the Government, there would be a feeling; but of course the peasants and the masses of the people in the Punjab are not quick or clever to understand these things, nor are they at present very much in the hands of any agitators; but still the thing would have a bad effect, no doubt.

2827. (*Sir Thomas Farrer.*) Which should you think the more dangerous thing politically, an alteration owing to that cause or an abnormal rise in taxation?—Oh, I must say, an abnormal rise in the taxation. They hate new taxation, and they watch very closely anything of that kind. I have been very much afraid myself that we should alienate the feeling of the peasant proprietors in the Punjab, who have been our best friends hitherto; I have been very much afraid indeed that we were lately losing the good feeling that they had for us.

2828. (*Chairman.*) By what?—Well, it is partly due to natural causes; I mean to say, the tendency is that good feeling decreases, the longer we are in any part of India; I mean to say that, at first, by doing away with anarchy and oppression, and introducing some kind of law and justice and stability, you gave them benefits which they recognise. Everybody in the country at first remembers the old state of things, and that memory gradually dies out, and then they only see the grievances of the present time. But, beyond that, we are raising the land revenue assessments very heavily. We put on taxation of all kinds, which, almost all of it, falls on the land in the end—stamps, high excise duties, and other things.

2829. But are you raising the land revenue beyond a due proportion to the rise in prices?—No, certainly not—not nearly up to it; I think considerably under it. That is why I think that it would be fair to stop the rise in the value of the rupee, if you could do it in a moderate way.

2830. (*Sir Thomas Farrer.*) Then you would fear raising the revenue directly in proportion to the rise in prices, more than you would fear any loss to the people from a fall in prices owing to a change in the currency?—Yes.

2831. (*Mr. Courtney.*) Has there been any movement in the wages of coolies in the Punjab in the last 10 years?—There has been; it is the universal opinion among the people themselves that there has been, but the statistics that I have seen do not bring out fully what I believe are the real facts. I believe there is a large rise. I believe myself that within the last six or seven years there has been a real fall in the general purchasing power of the rupee in India.

2832. You have told us that to a very large extent?—Yes.

2833. Forty per cent.?—Yes, that is in prices.

2834. Has there been anything like that movement in the wages of labour?—I should imagine there has been.

2835.—Forty per cent.?—The figures do not show it, but everybody says so.

2836. (*Mr Currie.*) Are there great numbers of hired labourers in the Punjab?—Agricultural labourers?

2837. Yes?—As to agricultural labourers, I do not know that you would say that there is a great number—there is a largish number, but their condition is peculiar; they are generally paid in part by food and by some clothes, and they get harvest dues in kind, so that changes in the value of their wages do not tend to show—I mean to say they do not tend to go up in statistics very rapidly or very markedly; you cannot put your finger upon it. For instance, their gleanings, and their food, of course, represent a rise in value. Their cash wages have, however, also gone up. I should think they have doubled and trebled within my knowledge, but then they were miserable wages, something like eight annas or six annas a month, when I first knew them in the Punjab.

2838. (*Sir Thomas Farrer.*) The money wages?—Their money wages were a kind of dole. They were a kind of serfs to the village peasant proprietors.

2839. (*Chairman.*) Then, so far as they were paid in kind, their wages have gone up *pari passu* with the produce?—*Pari passu.*

2840. (*Sir Thomas Farrer.*) Are the peasant proprietors much indebted to money-lenders?—They are in places, and not in other places. The people of the Punjab are not a homogeneous race, they are groups of races.

2841. The burden of those debts would be increased by a rise in the value of the rupee?—Yes, it would. It has been enormously decreased lately. Of course I should be very sorry to see that process altogether done away with, but I think it would be fair to stop it to a certain extent, and that would be politically better than putting on new taxation.

2842. (*Mr. Currie.*) Is it not probable that many have taken advantage of the fall in the rupee to discharge their debts?—Yes, a considerable number have, I think.

2843. (*Sir Thomas Farrer.*) Are the debts of long-standing; are they debts for a long period, or are they made from year to year?—In a great many cases they are for a long period.

2843*a*. They are of long standing?—Yes.

2844. (*Lieut.-General Strachey.*) I should like to point out to Sir James Lyall that the figures in the Statistical Abstracts which are published by the India Office, of the average prices of food grain in India, going back as far as 1867, hardly bear out what he says regarding any important increase?—Are those figures, sir, taken on the spot; are they local figures?

2845. They are all taken from the local figures?—Or are they figures at the harbours of export?

2846. No, Amritsar, Delhi, Ludhiana, Mooltan, Peshawar, Rawalpindi?—Yes.

2847. Now, what is the principal food of the people in that part?—In that part of the country, Rawalpindi, wheat is the principal food.

2848. The principal food?—Yes, the principal food; it differs in that respect from many other parts.

2849. There has been an increase, no doubt; a rise in price within the last three years, 1887; that must have been a bad year, I suppose, 1887 must have been a bad year; the prices then were very high, 13 seers for the rupee?—Yes.

2850–51. And then next year it went down to 14, then 19, then 18, and then again in 1891 to 14?—Yes.

2852–62. Then, if you go back, excluding of course the famine years, after 1881 the price of wheat at Rawalpindi was 20·42, 24·89, 30·80, 28·21, 21·00, and then it goes up in 1887 to 13·87 (which must have been a bad year, for it has to be remembered that the figures are arranged on the Indian method of so many seers to the rupee, and the smaller the number the higher the price); then 14·58, 19·03, 18·79, and 14·62. These returns are an abstract of the detailed reports which appear every week in the Government Gazette, of prices all over the country.

2863. (*Chairman.*) Taking the prices at Delhi, I see that in 1872 the price of wheat was 22·42, it rose in 1878–79 (the time of the great famine) to 14, then it fell till in 1885 it was 22·50, which is practically the same as in 1872; in 1887 it was 14·71, and in 1890 it fell to 16·33. Do not these fluctuations show an entirely different state of things from your experience in the Punjab?—I was in the Punjab in those days; I have been in the Punjab since the beginning of 1858.

2864. Can you account for the fact that these returns from various places in the Punjab—Amritsar, Delhi, Ludhiana, Mooltan, Peshawar, Rawalpindi—show the same price in 1885 as in 1872?—Are these for quinquennial periods?

2865–6. No; year by year.

2867–78. (*Mr. Currie.*) Is it possible to account for what Sir James Lyall says of the land revenue, if there has been no increase in the produce, because the land revenue is surely based upon the produce of the land?

2879. (*Sir Thomas Farrer.*) Let me repeat one question, in order that we may be perfectly clear as to your opinion on it; supposing that you had to raise a given amount of money, you would be more alarmed for the consequences if it were raised by a direct increase of taxation, than if that same amount were raised by an alteration in the value of the rupee?—Yes, I certainly should, in India.

2880. (*Lieut.-General Strachey.*) Do you remember at all, I do not know whether you go back far enough to remember the time when the rupee was changed, when the Queen's head was put upon the rupee?—When was that? I must have been in India, I think. I was in India when the Queen assumed the direct government.

2881. But what I meant was this, that there is an impression left in my mind that, when that change was made, there was some agitation said to be caused by the fact that the King's head which used to be on the rupee had been changed to the Queen's, and the people did not like it?—Oh, yes, it is quite possible. I do not remember the fact.

2882. I should like to ask you whether you do not think that, so long as the material rupee, which is the actual coin in use, is not changed outwardly, people would not be at all likely to appreciate that any change in the system under which money was brought into use had taken place?—No, the mass of the people would not, the peasantry and all those people, the politically important people would not. The bankers and people of that sort would be able to understand it to a certain extent.

2883. Probably, but they would only know it so far as the alteration took place by an alteration in prices?—Yes. I suppose some bankers—some native bankers even are in the habit of sending bullion to the mints; I do not know about that, though I hardly suppose it.

2884. I suppose that there are few parts of India that have been more affected by the improved means of communication than the Punjab in the way of equalising and raising prices?—Yes.

2885. (*Chairman.*) You observe that those returns do not show any such rise in the prices as seems to be suggested by your experience?—I am looking only at wheat; if you take quinquennial periods, they show a considerable rise in the last five or six years, as compared with other times. Of course, if you go further back, you get into the famine years, and you find the thing altered; but, taking after the famine years, from about 1881, when the influence of the famine, I suppose, was being got over, you have a number of years in which wheat was fairly cheap; for instance, 1881 19·75 seers to the rupee, next year 24·60, 1883 23·98, 1884 26·14, 1885 26·25, 1886 20·42; well, then, you come to the year that I went into the Punjab, and that is the time from which most people think that a marked sort of depreciation in silver began in India. Many people say that it has

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begun to show in a marked way within the last six or seven years.

2886. That it had reached prices in fact?—That it had reached prices. Then you see 1887 15·96, 1888 16·99, 1889 20·67, 1890 18·96; in 1891 it was up to about 14 I think, and in 1892, in spite of the immense falling off in export, it was still dearer. That was partly on account of bad harvest, but I think it was partly on account of their tendency nowadays not to go back when they have once got up. I think the fall in silver value has begun in India, and therefore, when a price once gets up, it has a tendency not to go back.

2887. (*Mr. Courtney.*) And what do the people do, would they starve?—They were very nearly starving, a lot of people in the Punjab in the last two or three years, and there was a very nasty feeling about it indeed. I should have been extremely afraid of the result, but for the fact that the politically important people in the Punjab, who are the peasant proprietors, who fill our army and our police, and who would hold the country if we walked out of it (the other people are altogether insignificant and of no comparative political importance whatever), benefit by it as landlords and as tenants, but chiefly as landlords.

2888. But they would be a very dangerous people to affect prejudicially by Government action?—Yes, and, as I say, if you cut down, as there has been a tendency in the Government of India to do, the term of settlement to 15 years, and you enhance the land revenue even higher than we have been enhancing it, you will incur this danger. We have been putting on enhancement which would have been thought dangerous at any other time—50 or 60 per cent., in individual estates 100 per cent. and over. That I know has created a certain amount of dissatisfaction, a certain amount of feeling, but at the same time the zemindars know that the land revenue had become very light compared with the value of produce, and so they expected large enhancements; but, to go further, and to have short terms of settlement and continual large enhancements, I think you would run the greatest danger of producing a violent feeling of discontent.

2889. And, if you kept your enhanced land revenue, and prices went down owing, as was believed, to the action of the Government in dealing with the mints, that might, I suppose, produce an effect upon their minds?—Yes, no doubt, it would.

2890. But you do not think that merely stopping it, and keeping things approximately where they are now, maybe a little higher, but not much higher, would be likely to produce any prejudicial effect?—No, I do not think it would—not, as I say, on those peasants, or, in fact, upon anybody.

2891. (*Mr. Currie.*) Do you think that the peasants of the Punjab are at all aware of the system under which silver is coined in India, that they value the privilege of what is called free mintage?—No, I do not think that they do.

2892. Or that they consider it a natural right?—No, I do not think that they do. The native Governments behave in the most arbitrary manner in these sorts of things. The Amir of Cabul used to call in the rupees frequently, and debase them and give them back at the same value.

2893. (*Mr. Courtney.*) But they know like other people when times are hard?—Yes.

2894. The Irish peasant may feel his rent is more oppressive than it was, without being able to trace the cause of it?—Yes.

The witness withdrew.

Adjourned.

At the India Office, Whitehall, S.W.

TWELFTH DAY.

Wednesday, 22nd February 1893.

PRESENT:

THE RIGHT HON. LORD HERSCHELL, THE LORD HIGH CHANCELLOR, THE CHAIRMAN, PRESIDING.

SIR THOMAS HENRY FARRER, BART.
SIR REGINALD EARLE WELBY, G.C.B.
SIR ARTHUR GODLEY, K.C.B.
LIEUT.-GENERAL RICHARD STRACHEY, C.S.I.
MR. BERTRAM WODEHOUSE CURRIE.

MR. HENRY WATERFIELD, C.B., *Secretary.*

Mr. H. W. Bliss, C.I.E.

22 Feb. 1893.

MR. HENRY WILLIAM BLISS, C.I.E., first member of the Board of Revenue, Madras, called in and examined.

2895. (*Sir Thomas Farrer.*) You have been a Commissioner of Salt and Abkari revenue. Would you tell us what Abkari is?—Abkari is what in England you would call excise.

2896. And customs collector in Madras, and on special duty in connection with the salt and excise department, 1878–86?—Yes, I have frequently been that; I have been in that department for many years; I have left it now, I should say.

2897. You are a member of the Board of Revenue?—I am.

2898. You are still?—Yes, I am first member of the Board of Revenue, in charge of land revenue.

2899. Then you are acquainted with land, and the taxation of land?—Yes. My services were entirely in the Land Revenue Department for a considerable period when I was a junior man.

2900. Then you are prepared to say which you think is the least dangerous way, politically, of meeting the charge imposed on the finances of India by the fall in the exchange value of the rupee, whether (1) by imposing fresh as taxation as required, or (2) by

adopting an alteration of the standard?—Yes, I have put in a note upon the subject at the secretary's request.

2901. Well, what is your view upon that question, first of all with regard to the objections to the imposition of additional taxation?—I think the people of India are very impatient of new taxation. I think that they have not sufficient education and information as to the intentions and action of Government, to make it to be expected that they would be patient of direct taxation. I think that, before you can expect people to accept new taxation with equanimity, they must be sufficiently educated to understand what the Government is about, and what the necessity is, and I am quite sure that the people of India are not sufficiently educated, even the best of them, thoroughly to understand the question.

2902. Is there any form of new taxation which you would yourself advocate?—The only form of new taxation that I should advocate would be a re-imposition of the import duties.

2903. Import duties on manufactured goods?—On manufactured goods, principally, that is to say, cotton goods. That is a question that I have often thought over, and my opinion is that, if England will not permit India to raise its revenue in the way that she thinks best, the Government of India should endeavour to persuade Parliament to allow it to re-impose import duties, in connection with a countervailing excise duty on the produce of the Indian mills. That would cut away the ground altogether from all complaints that the Government of India were protecting Indian manufactures, because the incidence of the taxation would be precisely the same on both sides.

2904. (*Mr. Currie.*) And you think that could be collected with no difficulty?—I have no doubt whatever about it.

2905. How much would it produce?—Oh, that would be a very difficult question. I should explain that it was only a few days ago that I got this request to attend before the Committee, and I have absolutely no papers or books at hand to consult, and I have to rely solely on my recollection.

2906. You could tell us what it did produce?—I believe about 2,000,000*l.* on its latest footing. Originally the duties on cotton goods were upon all sorts, and then afterwards they knocked off the duty on those of the lower grades and retained only the duties on cotton goods of the finer descriptions, and it was those which were repealed in a lump in 1882. I anticipate that, if the duties on cotton goods were re-imposed, the re-imposition would take effect only to the extent that the repeal took effect in 1882, that is to say, it would only be put upon the finer qualities of goods which are used by the upper and middle classes, and not upon the lower classes of goods which are used by the poor.

2907. (*Sir Thomas Farrer.*) Can you form any judgment at all as to whether the revenue to be raised from that source would be adequate to meet the apprehended deficiency?—I should say that at present it would be. It would come to rather over 2,000,000*l.* if my recollection is correct. In fact the imports have increased of late years, and probably it would come to considerably over 2,000,000*l.*

2908. (*Sir Reginald Welby.*) It would have a bad effect, would it not, upon Indian exports of manufactured goods, which, I have read, are increasing considerably?—I do not see that it would have the smallest effect.

2909. Not if you raise the price?—You would give a drawback of the excise duty, in the same way as you do in England.

2910. (*Mr. Currie.*) Would not the supervision be resented which excise duty always entails?—I think the supervision that would be required would be exceedingly small. A man who has embarked in manufacture, and has put a large amount of capital into an expensive mill, is not a man who is going to cheat the revenue for the sake of 2½*d.* A man of that sort might be trusted to give you accurate returns, and to pay his duty accurately with the very smallest amount of supervision. No man would risk the property invested in large mills, for the little that he hoped to gain by a little bit of smuggling. I am sure it would not be done.

2911. (*Sir Arthur Godley.*) You are aware tha very close supervision is required in the large breweries here in England, in the large establishments and the distilleries?—Very close supervision is practised, but I am not at all sure whether it is required. Some time ago, you may recollect, you gave me an introduction to the Inland Revenue Department, and I went and looked at some of their breweries and distilleries; and the opinion I formed was that the system was admirable, but, so far from any of the brewers and distillers wishing to get rid of that supervision, they welcomed it, because it secured them against their own agents. They welcomed it; they were delighted with it. Besides, it may be very easy to steal a few gallons of spirits; you may carry a portion of them away inside, but it is a very different thing to steal a bale of piece-goods. You cannot carry a bale of piece-goods away in your inside, as you may a portion, at all events, of a gallon of spirits.

2912. (*Sir Reginald Welby.*) The duty would be comparatively small as compared with the spirit duty. Of course, the spirit duty is many times the cost of manufacture?—The last duty imposed on manufactured goods imported into India was 5 per cent; that is a mere nothing.

2913. (*Sir Thomas Farrer.*) Passing from that, are there any other taxes that you could suggest which could be imposed?—I am sorry to say there is not one. The whole subject was examined, as I mentioned in my note, by Mr. Bazett Colvin some years ago, when he was an additional member of the Viceroy's Legislative Council. He drew up a note, of which Sir Auckland Colvin gave me a copy some years ago, which, unfortunately, is in India. I have no doubt a copy of that note could be found somewhere in the India Office. Every new source of taxation which up to that time had been suggested, so far as I know, was examined by Mr. Bazett Colvin, with the result that he decided, and I think rightly, against every single one of them. There was not one of them that you could impose. The great difficulty is that you have no agency in Bengal. That is at the root of all our difficulties in India—the permanent settlement. It is the permanent settlement that is the root of all difficulty.

2914. And with respect to the salt tax?—You could increase that, of course, to a limited extent, but then, if you do that, you have no financial reserve in case of emergency. Supposing you were at war, the emergency of war would be much greater than the present emergency.

2915. And the income tax?—Well, all I can say is that, if the income tax were increased, that would certainly produce very great discontent, and especially among those people who, to some extent, are capable of appreciating the action and the motives of governments.

2916. Excise duties—what do you say to them?—We are pushing them up as fast as ever we can now, and, if you push them up too fast, you stimulate illicit practices. Moreover, you cannot push excise duties up faster than you can organize the establishments which are necessary if you are maintaining a high rate of excise. We are doing it as quickly as we can. In most parts of the country there is a great deal more to be done—in the northern parts of India; but in Bombay and Madras a great deal has been done.

2917. (*Mr. Currie.*) Are you bringing in new articles under excise duties?—In the north of India they have always excised every thing they can. There are the drinkables, the opium, and the ganja. Up to a recent period—up to about 10 years ago—the prevalent idea was that there was little or no consumption of opium in Madras, and the consequence was that the Government let it alone. Then they

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took to taxing it, and now we get from six to seven lakhs of rupees a year out of it. Then, quite recently, they have begun imposing taxation on the consumption of ganja, but that yields very little in Madras. It gives a very big revenue in Bengal, but it gives very little in Madras.

2918. (*Sir Thomas Farrer.*) Then with regard to the land tax; you said that the Bengal settlement prevents any increase there?—The Bengal settlement prevents any increase there.

2919. And in regard to Madras?—In Madras we have re-settled or nearly re-settled all our districts, I think, except three. Three remain to be settled; out of those we may possibly get 25 or 30 lakhs of rupees. We ought to get a great deal more, of course, but we shall not.

2920. Well, even supposing it were possible to raise taxation in this way, you would be opposed to it?—I should be opposed to any new direct taxation. I do not think the native so much objects to an increase of the taxation that he is accustomed to, but it is a new tax which he does not like.

2921. You appear to think that, even if a certain sum could be raised by new taxation, the deficit arising from exchange is uncertain?—Quite so.

2922. So that you do not know how much you have to meet?—We might meet the deficit of the current year by additional taxation, but who is to say what the deficit of next year will be, and what additional taxation might be required to meet that?

2923. Then that brings you to the conclusion that the better way or the only way of meeting the apprehended deficits will be by an alteration of the standard?—No other way has occurred to me.

2924. And, in altering the standard, you include the possibility of a sliding seignorage on silver?—Quite so.

2925. And you do that in face of the acknowledged objections to an alteration of the standard?—Yes; I think it is the least of the evils. I think the risk is great; but, if nothing is done, bankruptcy stares the country in the face.

2926. Then you have something to say upon the effect of raising the standard upon prices and wages?—Put very briefly, I think the effect of raising the standard to a moderate extent would be nil.

2927. What do you mean by a moderate extent? At present, assuming the rupee to be now worth 1*s.* 3*d.*, what would you call a moderate rise?—The fall in the rupee, speaking roughly, was from 2*s.* to 1*s.* 6*d.* in the first 15 of the last 20 years. It is only in the last five years that the fall has taken place from 1*s.* 6*d.* to 1*s.* 3*d.*, that is to say, that the very severe fall, from the effects of which Government is now suffering, has taken place. I do not think that the public have in any way, as it were, got accustomed to the new value of the rupee under the conditions of the last five years' fall; and therefore it seems to me that, if you could revert to the value of the rupee as it was five years ago, that is to say, we will say 1*s.* 6*d.*, the populace generally would not know what you had done at all. They would not know it, and, therefore, even though it might—which I doubt,—to a certain extent, affect the burden of taxation, and all debts, I do not think that they would know that you had done it, and therefore I think it would be safe to do it.

2928. Of course, you would not attain your object unless it did raise the burden of taxation to some extent; in other words, unless the Indian Government got more out of their taxation by raising the standard, they would not effect their object?—That is one way of putting it, and yet I do not think it quite accurately represents the position in India. India is an agricultural country, and the taxation has to be paid out of the soil by a portion of the produce. Now, if the value of silver and the value of that produce have varied equally in relation to gold, it cannot be said that the fall of silver has lightened the burden of taxation, nor do I think that the rise in silver would increase the burden of taxation. A man has to sell so many measures of his wheat or rice, or whatever it may be, to pay his taxes. I do not believe that he has to sell any less number of measures to pay his taxes because of the fall of silver, nor do I believe that he would have to sell any more measures in order to pay his taxes if the standard were slightly appreciated.

2929. The difficulty is, is it not, that the Indian Government have got to pay more of their produce in order to satisfy their gold debt?—That is the present difficulty, quite so.

2930. Very well, then, you propose, by raising the value of the rupee, to enable the Indian Government to get a larger portion of the produce of India with which to satisfy their gold debt, do you not?—Well, it is very difficult, perhaps, to make my meaning understood. The truth is, that I do not believe that the depreciation of silver has lessened the burden of taxation. I believe that silver and commodities generally have gone down together; and, therefore, if a man had to sell 10 per cent. of his produce 20 years ago to pay his taxes, within very narrow limits he has to sell 10 per cent. of his produce at the present day to pay his taxes.

2931. Suppose you raise the value of the rupee, what would be the effect of that?—I do not believe that in the villages it would make the slightest difference.

2932. Then how would the Indian Government be the better?—The Indian Government will be better in relation to the outer world.

2933. But what is the substance of the transaction—the Indian Government have got to pay their gold debt?—They have.

2934. And, if the difficulty is that they have not enough produce to pay it with without increasing the quantity of that produce, must they not get that in some form or another out of the taxpayer? Is not the question whether it should be got out of the taxpayer by direct taxation, or by raising the value of the rupee in which he pays his taxes?—I think it is perfectly possible that, if you were to raise the value of the rupee to the nominal par value of 2*s.*, that might very likely have a serious effect in the interior. It would stop exports, I take it; that is to say, it would stop the demand for the surplus produce.

2935. Is not what you mean that it would raise the value of the rupee, and would get more produce out of the Indian taxpayer, but that the increase would be so slight and so imperceptible that he would not feel it?—It is more in this way:—I think that the recent severe fall in silver has not told its tale on the price of produce, and, therefore, that a reversion to the rate from which the recent severe fall took place also would not tell its tale upon the produce.

2936. Then how would it benefit the Government of India?—It would benefit the Government of India if it could raise the value of the rupee, so that the people who took up the Secretary of State's bills had to pay more for them in sterling. That would benefit the Government of India most unquestionably.

2937. (*Mr. Currie.*) You think then that prices have not risen in India?—I do not think they have much. I explained that I had not any books of reference here, but I think, if you go back for a considerable period—twenty years or so,—you will be surprised to find how little prices have varied. At the present moment, in the south of India, they are exceedingly high; but that is due, not I think to any variation in the value of silver, but to the fact that they have had bad seasons. Bad seasons will send up agricultural prices very much more quickly than any depreciation of the standard.

2938. (*Sir Thomas Farrer.*) It is possible, is it not, that a fall in the value of silver may have prevented a fall in prices? though it has not caused a rise, it may have prevented a fall?—No doubt prices would have fallen if silver had stood still with reference to gold; but, as silver and all other commodities have all gone down together, as far as I can

make out, with reference to gold, I do not think that the silver prices of produce have altered very much.

2939. Then, as far as I can gather your opinion, it is that the difficulty that the Government of India is in arises from the fact that gold is appreciated as against both silver and produce?—That is my opinion most strongly.

2940. Then you want to raise the value of the silver rupee?—Of the silver rupee.

2941. But you cannot raise the value of the silver rupee in India, without raising it against produce?—No, that is quite true, you cannot.

2942. That is the meaning of raising the value of the rupee?—Yes, that is quite true; but then, as I say, I do not think the value of the silver rupee has fallen as against produce to an extent corresponding to its fall as against gold. I do not think that the fall of the last few years has been really appreciated in India.

2943. (*Lieut.-General Strachey.*) Am I right, Mr. Bliss, in supposing that your contention is that any change that takes place in the value of articles of Indian export at the Presidency towns, where the export actually takes place, is not completely felt in the districts from which the produce is obtained?—I believe that is the case to a great extent.

2944. That is to say, that the export prices may vary considerably, without any completely corresponding change in the districts from which the produce comes?—Quite so.

2945. (*Sir Thomas Farrer.*) May I put you the question hypothetically. Supposing it were the fact that raising the value of the rupee, as is proposed, should lower prices in India to the extent to which the fall of the rupee has raised them, what would be the effect of that, in your opinion, upon the mind of the Indian ryot?—I do not believe they would know how it came about in the least, and, therefore, I do not think that they would feel any resentment against the Government.

2946. You would be less afraid of any difficulties arising from that source, than from the imposition of any new taxation?—Oh, very much. I think there is no comparison between the two things.

2947. (*Lieut.-General Strachey.*) Have not the fluctuations which have taken place, such as you have been referring to in Madras at the present time—the fluctuations caused by variations in season—been very much greater than anything that has actually been, or could have been, due to variations in the value of the rupee?—As far as I can see, the maximum effect that could possibly have occurred from variations in the value of the rupee is the difference that has occurred in the valuation of the rupee as respects gold; that is to say, shall we call it 40 per cent.—we might say 40 per cent., but the variations due to bad seasons are far more than 40 per cent. I cannot give you the exact thing, but I should think that prices may have varied on account of bad seasons as much as 100 per cent. almost.

2948. (*Sir Thomas Farrer.*) You have some instances to give of the changes of prices?—Yes, I mentioned two or three things that have affected prices.

2949. You mentioned the construction of the Anicut in the Godavari district?—That is a very curious thing. Some time before he began the construction of the anicut over the Godavari, Sir Arthur Cotton, he was then Captain Cotton, wrote a paper in which he predicted that the construction of the anicut would cost the Government of India nothing. This was rather a strong statement, but the state of the case in the Godavari district at that time was this: Not so very long before, the Company had ceased to be a trading Company, and, therefore, they had ceased to send into the Godavari district every year the money which they formerly used to send for the purchase of the produce of the district, the cotton cloths that they used to export, one variety of which is very well known in the trade now; you will see it constantly quoted—Madapollams—meaning the cloth that was originally made in Madapalayam in the Godavari district. The people lost that resource, and at the same time the drain of rupees out of the district in order to pay the troops in other parts of India, and the general expenses of the Government, continued, until, just before the time that Sir Arthur Cotton began his work, there was scarcely any coin at all in the Godavari district. He foresaw that the effect of the commencement of large works would be that money would be either kept in the district, or, if not, would be poured into the district to pay the labourers on those works, with the result that there must be a rise in prices; that the people would be able easier to pay the revenue which previously they had not been able to pay, and that with their improved condition agriculture would rapidly expand. As a matter of fact, if you look into the figures—I remember seeing them many years ago—if you look into the figures of the revenue of the district after he began to spend money on the anicut, you will find that the revenue rose more quickly than the expenditure was incurred. That is to say, if he spent this year a lakh of rupees on the works, next year there was a rise of a lakh and ten thousand, or a lakh and twenty-five thousand, and so on. It was a very striking thing.

2950. Then you have some experience of your own in respect of prices and wages?—With regard to wages, of course I deal with the wages of the domestic servant. As a matter of fact, I do not know that I give any more to my domestic servants now than I did 20 years ago, bearing in mind, of course, the fact that in India, the higher one's official position, the heavier the wages you have always to pay your servants. That has always been the case. For instance, 20 years ago my butler got 12 rupees a month; my butler now gets 18 rupees a month. But that is the custom of the country. You have always to pay more when you have more pay. Something of the same kind may be observed in England also. I used to pay my cook, we will say, 12 rupees a month; now I pay him 16 or 17 or 18 rupees a month.

2951. Do you attribute that to your larger power of paying, rather than to his demanding more?—I get a better servant probably, but there is a great deal in my larger power of paying. There is no doubt the wind is tempered to the shorn lamb in those matters in India. I pay for every single article that is bought out of the bazaar by the servant (that is, for the common articles of food) 10 to 20 per cent., I have no doubt, more than a man with a quarter of my pay living in the same place, or the next compound.

2952. (*Chairman.*) Than he would pay now?—Than he would pay now.

2953. (*Sir Reginald Welby.*) Do you mean your predecessor in your present office 20 years ago paid the same as you pay now?—For his servants he did. Of course there are local variations in the bazaar. Because we have had very bad seasons lately in Madras, the prices of things have gone up most seriously—meat, and particularly gram—horse gram has gone up tremendously.

2954. (*Sir Thomas Farrer.*) Then the price of imported goods has risen, you say?—I do not think it rose at all till quite recently. My recollection is that when I first went out to India I paid six rupees a dozen for beer, and five years ago I do not think I paid more than six rupees a dozen.

2955. Has that gone up lately?—It has gone up lately. Every few months you get a circular from the tradespeople, stating that they deeply regret that, in consequence of the fall of exchange, they have to raise their prices five per cent., and you get that at the end of your bill. One bill particularly struck me. It was the chemist's bill. There was a charge of a rupee a bottle for certain medicine, of which medicine of course a $\frac{99}{100}$th part was water, but nevertheless there came at the foot of the account the statement that owing to the fall of exchange so much had been added to the price,—that is, to the price of the water in the bottle.

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2956. Can you account for the fact that the fall to a certain point did not affect the price of imported goods, and that the fall since has—why it should be?—Because I think manufactured goods and produce all over the world, speaking broadly, with one or two exceptions that would not be difficult to mention, all fell together; that is to say, gold appreciated.

2957. Yes, but what I was asking was this; as I understood you, silver prices of imported goods have risen during the last three years, whereas during the previous period, during which exchange fell, they did not rise at all?—Because I think up to a certain period silver and everything else went back with relation to gold, but lately, in the last three years we will say, I think silver has gone quicker than the other things.

2958. It has not been *pari passu* with other things?—No; it was before, I think.

2959. You think it is the depreciation of silver, rather than the appreciation of gold?—It is at the present moment; in the last two or three years it has been so.

2960. You would be unwilling to raise the rupee to the value of 2*s.* or anything like it?—I should be very much afraid as to what effect that might have on the people. It might be done in 20 years—20 years' persistent effort in raising the rupee might cause no more general disturbance than 20 years' fall in the rupee has caused; but I think to contemplate in the immediate future anything like 2*s.* would be a very dangerous thing.

2961. A sudden change you would be afraid of; you would not be afraid of a gradual change?—No, I do not think a gradual change would hurt. I think the people would accommodate themselves.

2962. You think that any alteration that might be made by a gradual change—a gradual rise, would not be perceived among the much greater causes of change which are constantly happening, such as seasons?—I do not think it would be perceived in the least; in fact, I think that the people of India are so exceedingly ignorant that they would say, "See what an "excellent Government this is; it has increased the "value of the rupee." I think that would be rather their feeling.

2963. Then the result is that you think that there would be no political danger in raising the value of the rupee, say gradually up to 1*s.* 6*d.*, or even beyond that, provided you give sufficient time?—Yes, I think I may say that I do not think there is any political danger.

The witness withdrew.

Mr. J. A. Baines.

MR. JERVOISE ATHELSTANE BAINES called in and examined.

2964. (*Chairman.*) You are a member of the Indian Civil Service?—Yes, my Lord.

2965. I believe you have been engaged about 14 years in revenue work in India?—In the Bombay Presidency.

2966. And eight and a half on other duties?—Yes.

2967. And are now engaged upon the Indian census?—Yes.

2968. You are, of course, aware of the difficulties which have arisen owing to the fall in exchange?—Yes.

2969. And the necessity which may arise of meeting a considerable difficulty, owing to the increased payments in respect of the gold debt and home charges?—Yes, my Lord, I am generally aware of that.

2970. And that this apprehended deficiency could only be met either by diminished expenditure or increased taxation, or some change in the currency arrangements?—Yes.

2971. Have you formed an opinion which of those methods is most practicable and expedient?—I think that the currency arrangement would be the most expedient.

2972. Will you tell the Committee what were your reasons for coming to that conclusion?—I am speaking not as an expert in any way on the financial position or on the currency question, but merely as an officer who has served in immediate contact with the people.

2973. And have formed an opinion as to which of those methods would be least likely to affect the minds of the people and to arouse hostility?—To disturb the minds of the people, I should say. On having the question put to me first, my feeling was strongly against any extension or increase of the present direct taxation in India, from what I know of the feelings of the people with regard to it, and, moreover, of the difficulty with regard to levying certain forms of direct taxation. I have been more intimately connected with the income tax than with other forms, except municipal taxation, and as regards the income tax I can confidently say that no great extension is possible—to waive the question of its being advisable or not. There are peculiarities in the levy of direct taxation in India which, perhaps, I need not explain.

2974. Then, as regards any large diminution of expenditure to meet the results of the fall, do you think that that would be a practicable course?—In any department with which I have been concerned—and I have served in several more than those mentioned already—I do not see that it would be compatible with efficiency of administration.

2975. Supposing the mints to be closed to silver, and exchange to be raised, and prices to be in some degree affected by it, what do you think would be the effect of that upon the people of India?—I think that the only prices which need be considered are those of agricultural produce, because practically the greater part of the assessment of the land in India—in the North-Western, Punjab, and Bombay settlements, entirely—is fixed on consideration of prices. There are other elements in fixing the assessment, but with a few exceptions they practically reduce themselves to the consideration of the prices which have been realised during the period of the settlement about to expire.

2976. And, supposing prices to fall, do you think that that would create discontent?—I think if prices were to fall, and if that could be traced by the bulk of the agricultural population to the action of Government, it would excite a certain animus against Government, and be regarded in the light of practically direct taxation, in violation of existing agreement.

2977. Supposing that the free coinage of silver was stopped, and that prices fell, not by reason of the mints being closed, but from causes apart from that, which have led to a fall of prices elsewhere, do you think that there would be a tendency to attribute the fall to the closing of the mints, even though that were not the real cause?—I do not think there would be any tendency on the part of the people in that case, unless they were worked upon by extraneous influences.

2978. Do you think that is a contingency to be apprehended, that they would be so worked upon?—It depends entirely upon the way in which a movement of that sort could be brought into connection with aspirations in other directions. That is rather a personal opinion. I do not think there is so distinct a connection between the two as that it would ever suggest itself to the average ryot.

2979. (*Sir Arthur Godley.*) Would you explain, Mr. Baines? I do not think I quite understand?—

My opinion is that the lowering of prices consequent upon some such financial or currency operation would be very gradual, and probably overlapped by ordinary uncertainties of season; prices fluctuate every year in consequence of bad or good seasons, and I do not think, unless it were brought very strongly before the ryot, that he would attribute to Government any action in producing these uncertainties, and, if there was any continuous lowering tendency, it would take some better educated influence to bear on it from outside before he could appreciate it.

2980. Yes, if the fall in prices were gradual, he probably would not connect it with the Government in any way?—I assume that it would be gradual, in giving my opinion on the advisability of an action by the Government of this sort. I think any sudden fall of prices would be immediately brought home to the ryot, and connected by him with some action, which possibly he would not understand in detail, on the part of the Government.

2981. (*Chairman.*) You would recognise as possible that prices might fall, quite independently of any action of the Government in closing the mints? For example, the price of wheat in rupees would presumably have been lower than it is now, if there had been no fall of silver; if the old exchange had remained, the gold price going down as it has gone down, the rupee in India must have fallen too?—Yes, in wheat especially, and possibly in rice.

2982. The same causes which have led to a fall in the gold prices might lead to a further fall in the gold prices?—They might.

2983. Of course that would not be connected in reality with the action of the Government in closing the mints; but do you think it might be attributed to that action, supposing the one followed the other?—I do not think it would be so attributed in the ordinary course, unless it were brought home. I think that the ryot, particularly he who grows wheat, from what I know of him, is very distantly aware of what causes the rise or fall in prices. He only knows the immediate cause, and that is the middleman who comes to him and will not buy his wheat at as good a price as he did the year before. I do not think he goes beyond that. I have had complaints made to me by wheat-growers that they were afraid that they would have to eat wheat.

2984. (*Lieut.-General Strachey.*) The fluctuations in price caused by the variations of season in all parts of India are very considerable, are they not?—In nearly all they are very considerable.

2985. In the course of any year when the harvest comes in the prices always fall, and, as the crops are consumed, they rise?—As a rule. There are certain products which rise regularly at specified seasons of the year. You can foretell that there are two months in which there may be a rise in prices—probably will be.

2986. And from year to year, according to the variations of the season, the variations in prices have been very considerable?—Very remarkable.

2987. I see from the published returns, for instance, taking as an illustration the prices in 1876—of course this is an extreme case—the price of jowar at Salem, that is a district of Madras, was 20 seers for the rupee, and in 1878 you only got 7 seers. That was a time of famine, I quite admit?—Yes, but I think that in the larger tables of prices,—they have never been worked properly up,—but in the larger tables of prices which I have only referred to since the question was put to me on Friday last, the prices in certain markets, taking a single market for a long series of years, vary in the year very remarkably. They seemed to me to show distinctly that the variation is purely seasonal.

2988. (*Chairman.*) Supposing that the raising of the exchange tended to lower rupee prices, and at the same time a tendency to a fall in the gold prices from other causes were to continue, the combination of the two might cause a more acute fall than would otherwise take place?—Yes, with reference to articles of commerce, such as food-grains exported. I do not know sufficiently the connection between gold prices and the prices of produce in India to say what would be the effect on articles that are not sent abroad, but are grown for the consumption of the people; my personal opinion is that they would remain more or less subject to the purely local causes of variation.

2989. You do not think that the produce consumed there, though it is of a character that is exported, would be much affected by variations of exchange?—Perhaps in the case of wheat it might be. I have only just learnt that an extension of the cultivation of wheat, where they did not grow wheat before, is being pushed considerably by agents of exporting firms up-country. Advances are made for the cultivation of wheat, on the same system that they are made for the poppy cultivation, or for indigo. I think that it is, to a large extent, a new thing. I had never experienced it while I was a land revenue officer, that is, up to three years ago.

2990. Is additional land being brought into cultivation for wheat, or wheat being substituted for the cultivation of some other product?—I think it is both, new land being broken up in the Central Provinces, and also on choice soils near the villages, wheat being substituted very possibly for cotton.

2991. (*Mr. Currie.*) That shows that, even at the present very low prices, wheat can be cultivated at a profit in India?—Certainly, up to last year.

2992. (*Chairman.*) And that there has been a great fall in the gold price of wheat owing to the fall in exchange; the rupee price of wheat, without reference to what the rupee will buy when used for other purchasing purposes, is not much lower than it was, is it?—Certainly it is not; I should say that it has probably risen a little during the last few years. The price of wheat has gone up, but it is more fluctuating, I think, than the price of any other product in India.

2993. Supposing the effect of any change in the currency system were to cause a considerable fall in prices, do you think that that would produce dissatisfaction?—I think it would to a certain extent. It would produce passive discontent on the grounds that I have mentioned, that the assessment on each acre of land is fixed with reference to prices during the previous 30 years, and these prices have been continually rising at, say, intervals of five or six years. That is taking the whole period.

2994. Has the fall in prices been more considerable, do you think, of late years, than in the earlier years of the fall in exchange?—I was trying yesterday to satisfy myself about that before I came here, but I was unable to do so. It is a very long process to take the aggregate of prices, and balance them from period to period, and I have not had time to do it. It is a matter I should like to take up afterwards, in the course of my special duties.

2995. In your view, as regards the effect of a change in the system of currency by closing the mints, a good deal would depend upon whether it was so carried out as to maintain prices at about their present level, or as to cause a considerable fall?—Certainly.

2996. Supposing it were carried out so as not materially to raise the exchange in the first instance, or that any advance in exchange owing to that were very gradual, by slow degrees, do you think it would be likely then to produce any prejudicial effect?—I think not, in fact I should assume that such action would not be sudden. I do not think the prices are very sensitive in the rural markets.

2997. Supposing that the effect of closing the mints, and other causes simultaneously operating upon the silver market, were to cause a great difference between the value of the rupee and the value of silver, do you think that that is a matter which would be likely to attract attention, and to do mischief in India?—I think it would attract the attention of perhaps some of the native States that had hoards of silver, coined or bar; I think that they might be possibly affected.

2998. (*Sir Arthur Godley.*) Those whose hoards consist of coin would gain?—They would gain.

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2999. It would attract their notice in that way?—Those hoards would be gradually brought out just enough to keep the market at its level, but not to lower it in any way. I do not think they would be thrust on the market. The natives would only take advantage of a very sudden change indeed, and a very large one, to risk a heavy operation.

3000. (*Mr Currie.*) Are the great hoards, such as the famous hoards of Sindia, kept in Government rupees or coined rupees?—Partly, I believe, in both.

3000*a*. He had 2,000,000, had he not?

3001. (*Chairman.*) He had nearly Rx. 6,000,000 in coined rupees?—His rupees are a trifle smaller; but he had, I think, 130 millions of them altogether.

3001*a*. Do they circulate at all outside Sindia's territory?—They circulate everywhere except in Government offices. I am speaking from personal knowledge of the coined rupees of the Gaekwar of Baroda, which are on the same lines as those of the Sindia territory. They circulate in all private transactions.

3002. Outside the Baroda territory?—Outside, on the border villages, wherever British districts intermix with the native State, and wherever a State has coin of its own, you find the rupees of the native State circulating very largely, in fact among certain classes almost universally, within miles of the frontier.

3003. Then, supposing the British mints were closed, do you think it would be necessary to make some arrangement for similar action on the part of the native States who coin?—I think, if such action could be arranged, it might be beneficial for the operation of the mint; that is, from the point of view of exchange.

3004. What do you think would be the effect, supposing our mints were closed, and the native mints were largely to coin with the price of silver much less than it is now—much less than the ratio at which the rupee stood previously?—I think that their rupees would creep into our territory privately—as far as private transactions were concerned. We have a rule that only Government rupees shall be accepted in post and telegraph offices, and for the payment of land revenue.

3005. But do you think in that case their rupees would, to some extent, displace the British rupee, if the British rupee were made scarcer?—They might do so in the intervals between any large payments to Government, but I do not think they are likely to interfere more than at those intervals.

3006. (*Sir Thomas Farrer.*) Would they circulate at the same value as the British rupee?—I do not think they would; there is certainly an exchange on the small rupee which used to be coined by the Gaekwar of Baroda. It may by this time have been replaced by new coinage.

3007. (*Mr. Currie.*) But I understand you to say the Government Treasury will not take these native rupees at any price?—No.

3008. Therefore, they are not a legal tender?—They are not a legal tender, but in all current transactions in the bazaar they are taken.

3009. (*Sir Thomas Farrer.*) They do pass current from hand to hand?—Very largely, and in case of small hoards, private hoards of a few hundred rupees, I have often noticed that the native coinage is quite equal to, if not in excess of, the Government rupees, if the hoard is in cash at all. I am speaking more especially of cases in which we have had to search houses, or in which property is recovered from a gang of robbers or burglars.

3010. (*Sir Reginald Welby.*) And do I understand that in these private transactions the native rupee is taken as practically equivalent to the Government rupee?—No, I think it is taken at a discount.

3011. It would be?—It is as a matter of fact.

3012. (*Chairman.*) A discount representing the intrinsic difference of value?—I do not think that it represents the value in exchange, but it would represent the customary discount. These things move very slowly in India, and a rate of discount is current for a long time after it has ceased to represent anything.

3013. (*Sir Reginald Welby.*) But it is an available coin?—It would be so.

3014. And the people would be rather slow to take it; they would prefer to have the Government rupee, and would pay rather more for it?—I think, once they realised that, they would not take the native rupee, but for some time there would be a tendency to throw these rupees on to our territory; I should explain to you that in some of the districts the native territory is so intermixed—it is like a lace pattern,—that you cross two miles, perhaps a single village, and come into another State.

3015. (*Chairman.*) Do you know whether the Nizam's rupees, the Halisicca rupees, circulate outside the Nizam's territory?—Excepting in one corner—the north-west corner. Where there are large cotton transactions the Halisicca circulates. We have had to have a sort of adjustment of the boundaries there.

3016. (*Sir Arthur Godley.*) But, supposing that any mischief did result from the minting of the native States, do you think there would be any difficulty in dealing with them; would not the supreme Government be quite well able to make arrangements with them to prevent such mischief?—Oh, I think so. If there was any increase of coinage, especially for the purpose of taking advantage of the Government mint operations, I think that the supreme Government would certainly move in the matter.

3017. (*Chairman.*) But would that, do you think, cause any considerable friction between the British Government and those native Governments?—I do not think so, on the whole. It would depend entirely on the personal character of the chief.

3018. (*Sir Arthur Godley.*) It would surely be pointed out to them that it would be to their advantage to raise the value of their rupees by limiting the supply?—It would be pointed out, no doubt.

3019. (*Chairman.*) But I suppose, if they thought they could get an advantage by continuing to coin whilst the Government mint was closed, that might counterbalance the effect of pointing it out to them?—I think that general action by the supreme Government of that sort would be effective.

3020. (*Sir Thomas Farrer.*) Is there any large quantity of silver hoarded by the poorer people in the form of ornaments?—Very large.

3021. And, if the rupee were raised, that would no longer be of the same value for the purposes of coinage as it was before, would it?—The silver would probably, as they have kept it for some years, have been bought at a higher price, and they would also have had to pay something on the manufacture into ornaments, so that the ornaments would have to be sold at a considerably higher price than what they gave for the silver; and, as a matter of fact, I do not think the native—certainly in the rural parts of the country—looks upon his ornaments in any way as a source of gain, but merely as a protection against loss, or as a provision.

3022. Then, if he had to turn those ornaments into rupees after the mints were closed, he would do so at a disadvantage, would he not?—I do not think there would be any tendency to do that. I think that probably he would do so at a disadvantage.

3023–3123. (*Chairman.*) You think it is probable only on some great stress, such as a famine, that he does part with his ornaments?—My experience is that it is only under very strong stress, such as famine or the marriage of somebody he did not expect—he prepares for the marriage of some of his own immediate relatives,—but probably there is somebody come amongst his family from his sons, and in that case he would have to trespass on his ornaments, but as a rule they are family possessions.

3124. (*Sir Arthur Godley.*) They are not sold as ornaments, because their artistic merits are so very little?—I do not think there is any sale for them; in

all my experience, I never heard of a shop of completed ornaments, except for Europeans.

3125. (*Sir Reginald Welby.*) How does a man realise this reserve at present? Supposing there is a famine, he is in want, and he is obliged to draw upon this resource of ornaments; what is his process, what does he do with it?—When the first press comes, he takes a certain proportion of them out to the nearest money-lender, who is really a pawnbroker, and he gets an advance upon them.

3126. (*Sir Thomas Farrer.*) What does the money-lender do with them?—The money-lender keeps them for a certain time, and I have known him lend them out.

3127. Supposing the man is unable to pay his debt, and they become the property of the money-lender, does he sell them as ornaments, or take them to the mint?—The money-lender, at the first stress of famine, when the articles have been pawned for a certain time for a small advance, would probably press for a repayment, in the prospect of having still greater stress to meet. Well, the owner of the ornaments would tell him to keep them. The money-lender would collect a great many from different villages, until he had got a fair hoard. He would then either send them direct himself, or through a larger money-lender in the town, to the mint. I am speaking of the west of India only; I do not know what would happen in Bengal.

3128. (*Sir Reginald Welby.*) But in that case, when he did so, he would get less for them when the mints were closed and the value of the rupee were raised, than he does now—fewer rupees for them?—Fewer rupees, but the ryot himself would take it in grain. In famine time he would not look at the rupee price.

3129. The pawnbroker would give him very much less, if he had not got the eventual resource of the mint to go to?—I suppose he would.

3130. (*Chairman.*) With regard to the possible sources of taxation, the chief articles that are in use by the people at large, I understand, are salt and tobacco?—Yes.

3131. You do not think that it would be practicable by additional taxation to largely increase the revenue from either of those sources?—I do not think so.

3132. Sugar?—Sugar, in the same way as tobacco, is very difficult to tax. I do not think it is possible to tax tobacco.

3133. Is there any taxation on tobacco at present?—Nothing except municipal octroi.

3134. (*Mr. Currie.*) That is on account of the difficulty of collection, I suppose?—The difficulty of assessing. Tobacco is grown only in three places that I know of in India in large fields, as an article of trade. Everywhere else it is grown in a small patch, a chain or two, outside a man's door.

3135. (*Sir Reginald Welby.*) In the review of the condition of India since the Mutiny—since 1858, I read the other day that the salt duty, so far as it affected 150,000,000 of people, had been reduced 36 per cent.?—Yes, I believe so.

3136. Why should it be impossible to go back to what the community were content to pay in case of necessity within 30 years?—I think, first, there is the general difficulty of going back at all in taxation.

3137. But, unluckily, a great many countries have to go back, have they not?—Perhaps so, but the process is invariably difficult, and open to more objection than a new tax.

3138. If that amount of taxation was borne within 30 years, at all events it has been within the recollection of the living generation that they had to pay, and it is borne still. It is not like an absolutely new tax, because it is an amount that has actually been borne very recently?—Apart from the general discontent at going back 30 years, I think that the price which has now been equalised all over India is really as much as a great part of the population can afford to pay.

3139. On the whole, the population, I suppose, is better off than it was 30 years ago?—On the whole, I should say, decidedly.

3140. I also read in this same publication that, in addition to that, the cost of producing salt had fallen, and that practically a good many more pounds were got for the same number of rupees; and, therefore, the result of that would be that you could go back, and put on a certain amount of taxation, without really raising the cost very much higher than it was a few years ago to the consumer. You see there have been two operations at work; you have been reducing the tax, and you have been reducing the cost of manufacture; the consequence is that the consumer has got the benefit both ways. Now, as I understand, the argument is that you cannot go back, that the increase of taxation is next door to impossible. It seemed to me open to argument, at all events, whether a portion of the route might not be retraced in case of necessity?—I am not quite certain as to the divergence between the manufacturing price and the selling price at the present day. I should be sorry to give an opinion on that, because in some places the selling price may have differed very considerably, and in others very little.

3141. This is the statement from head-quarters; it is not a critic from outside, but it is an official statement inside, at the time when all those statements mean to show the advance of India—the general advance that India has taken?—Yes.

3142. (*Lieut.-General Strachey.*) Is it not a generally recognised fact, that the Government of India abstained from levying the full amount of revenue that might be got from salt, with the view of maintaining a possible reserve in case of sudden financial emergency?—I have not heard that.

3143. (*Mr. Currie.*) May I ask you, Mr. Baines, is it not the case that, in spite of the reductions of which Sir Reginald Welby speaks, the revenue from salt has increased?—The revenue from salt has increased.

3144. Would it, therefore, be a wise act of the Government to increase the tax upon a commodity of which the consumption increases in spite of lowering it?—The consumption has increased in a higher ratio in the last ten years than the actual revenue.

3145. And the actual revenue has increased?—Yes, and proportionally it has increased considerably during the last three years. I cannot quote the figures exactly, but my recollection is that it is considerably less than the ratio of the increase of consumption within the last ten years.

3146. Yes, but it is a good argument for the reduction of taxation, is it not, if by that you can actually increase the revenue you receive? If you can get more revenue by a low rate, that is a good position, is it not?—That would be possible, but I think that the salt authorities would be the best persons to answer that. My experience has been chiefly in a tract where salt is very cheap; and prices in India vary very much. I have always looked at it as an article within the reach even of the poorest.

3147. (*Chairman.*) Salt is an article that is used by the population at large?—Universally.

3148. And do you think that the present price, which results of course, in part, from the taxation imposed, is high in proportion to the resources of the people?—I do not think it is generally high, but it is said to press upon certain classes.

3149. But, if you were to raise it by increased taxation, do you think it would bear very hardly upon large classes of the community?—I think so; I think it would even restrict consumption.

3150. As regards the land revenue, do you think it would be practicable to increase that?—I think it is impracticable to increase it more under the present system. In all the districts in which I have actually worked, the land revenue is re-assessed at long intervals, and I do not think that any disturbance would be advisable within those intervals.

3151. The re-assessment having relation to price?—It reduces itself very largely to a question of

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prices. The soil valuation has been already made, and the increase of markets and communication practically reduce themselves to an increase in the price of the produce.

3152. What you have said, of course, does not apply where there is a permanent land settlement?—Certainly not.

3153. As in Bengal?—As in Bengal.

3154. But do you think it would be practicable to disturb that settlement, and increase the land revenue from those districts?—I do not know that I am entitled to speak on that subject, as I am a revenue officer of Bombay; but it was brought very strongly to my mind, from reading one or two reports of the condition of the people and so on, in Bengal, that have come quite lately, and also from a rumour that used to be very frequently brought to my ears when I first joined the Revenue Department, between 1870 and 1874, which has ceased since. This was that in Bombay we, meaning the Bombay educated classes who hold land, are paying taxes in order that the Bengal zemindar may live in affluence. I remembered that when I was jotting down my notes, and it was brought to my recollection by a paragraph in the report on the condition of the Bengal population.

3155. I suppose any interference with the Bengal settlement would be regarded as a violation of a compact?—Oh, most certainly. It would be a very strong measure. The only reason why I have mentioned it at all is that I think the crisis before the country at large is such that a re-arrangement of that sort would be justifiable in the interests of the people of the rest of the country. The zemindar class is a small one, it has enjoyed for many years the increase of wealth due to the action of the Government without paying proportionally for it, and the beneficial action of the zemindars was all exercised shortly after the settlement.

3156. (*Sir Reginald Welby.*) Will you tell me in Bombay how the land revenue is paid? Given a certain parcel of land, does that pay for a certain number of years, irrespective of produce or prices, the same sum to the Government, or does that vary year by year with prices?—The amount payable is settled for 30 years.

3157. And during that time, whether the prices are high or produce plentiful, or the reverse, the taxpayer must pay the tax?—The assessment is due.

3158. Then I suppose the Government occasionally remit in bad times?—Under the Bombay system they remit as little as possible, but there is a practice in hard years of deferring the payment of either one or both instalments. The assessment is payable in two instalments; and in a year of great scarcity, either of the winter crop or of the autumnal crop, it is the practice to postpone payment. But our system, I should say, is peculiar, in that, being based on an average of prices, it takes no account of the difference between year and year. We consider that better than a fluctuating demand.

3159. Then at the end of 30 years it is reassessed?—Upon general considerations; prices enter most largely into them, but it is said to be on *general* considerations.

The witness withdrew.

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SIR CHARLES EDWARD BERNARD, K.C.S.I., called in and examined.

3160. (*Chairman.*) You have been Secretary to the Government of India in various departments, the Revenue, the Financial, and the Home?—Yes, my Lord.

3161. You were afterwards Chief Commissioner of British Burmah from 1880 to 1888?—Yes.

3162. And since that period you have been Secretary of the Revenue and Statistics Department in the India Office?—Yes.

3163. Do you think that during the last 20 years there has been an increase in the average silver prices of agricultural products?—There has been a considerable increase in the average silver prices all over the country. That is mainly due to the opening of communications, I believe, and the influence of prices has been a levelling up, so that now prices are equalised all over the interior, whereas there were immense differences in former years; but the prices at the seaports have not gone up so largely; they have gone up to some extent, but not largely. On some staples they have even gone down.

3164. Are those generally staples which compete with the productions of other countries?—Cotton competes with the product of other countries, and wheat competes with the product of other countries; but as to rice, India, or rather Burmah, has practically a monopoly in Europe, and its price has not changed. The European price of rice is now about the same as it was 10 years ago, but the rupee price at the ports has gone up a little, but not in proportion to the fall of silver. I submit a table showing how rice prices in Europe have remained firm during the 10 years. They have remained firm in the 10 years in an extraordinary way, when wheat prices have gone down so largely; the table confirms my statement that India and further Asia appear to have a monopoly of rice.

HIGHEST and LOWEST PRICES of RANGOON CARGO RICE in the LONDON MARKET during the YEAR.

	s.	d.		s.	d.
1892	6	3	to	8	9
1891	7	0	to	8	9
1890	6	9	to	8	3
1889	6	10½	to	7	7½
1888	6	6	to	7	7½
1887	6	6	to	7	1½
1886	6	1½	to	7	0
1885	6	6	to	7	7½
1884	6	9	to	8	9
1883	7	1½	to	9	3

3165. The rupee price has not risen in proportion to the fall in exchange?—No, I think not.

3166. In some parts of India we have been told that the grain produce fetches a higher rupee price than formerly?—It does in the interior.

3167. In the Punjab, for example?—That is so, because the communications are so immensely improved; but, if you take a mart on the railway, like Cawnpore for instance, you will find that the rise in price there of the last 10 years is not equal to the average rise over the whole of the province; not nearly so high.

3168. Is that due to its not having so good means of communication?—No; it is because it has had better means of communication; has had them for 15 or 20 years. Other parts of Northern India have only recently been brought into communication with the seaboard, and, therefore, their prices are only recently affected in any way by the European prices.

3169. So that the price has been regulated rather by local circumstances?—Over the greater part of the country; but, if you take a mart like Rangoon or Bombay, the prices there have for 20 years varied exactly according to the European prices.

3170. Do you think that, the more complete the means of communication, the greater the effect of European prices upon Indian prices?—That is so, my Lord; but I do not know about future extensions. Practically prices are now equalised in nearly all the producing provinces, because of the improvement of communications.

3171. (*Lieut.-General Strachey.*) The prices at the seaports being dependent upon gold prices, the variations there mainly affect articles of export?—Quite so. Those would be the only things that have come down, but the prices do not vary in any way directly with the gold price of silver. There are other great factors that come in. If you go down the list of the last 10 or 15 years, you will see that the prices have been affected by other factors. I know myself about rice, because I was in Burmah. Rice, for instance, in the last five years has been enormously affected, first by the Chinese famine, then by the failure of the crops in Siam and Japan, and then latterly by the failure of wheat in Europe.

3172. (*Chairman.*) But there has been no fall of the rupee price corresponding to the fall of the gold price in Europe, has there?—No; the fall of the silver price has contributed to enable the price at seaports, for instance, of rice especially, to keep up in rupees at the old rate. I mean it has diminished the effect of the fall of the gold price of silver.

3173. That is to say, presumably, if there had been no fall in the gold price of silver, if exchange had remained at the old rate, the prices of those products would have been much lower than they are to-day?—The rupee price at the ports would be. For instance, I have a rice table here published by one of the firms.

3174. (*Sir Thomas Farrer.*) Just to finish that—so that the fall in the value of silver has —?—Has steadied rupee prices at the ports.

3175. (*Chairman.*) Inasmuch as we learn that, in the case of the land revenue which is subject to re-assessment, in the revision regard has largely been had to the prices of agricultural produce, it would seem that, but for the fall in exchange, in the re-assessments which have taken place during recent years the revenue would not have been fixed as high as it has been?—I would not say that, my Lord. As I have tried to explain, I think that the rise in prices over the greater part of the country has been due to an extension of communications.

3176. What I was putting is that, supposing it be true that the rupee prices would have been lower to-day than they are but for the fall in exchange, if exchange had not fallen, and the prices therefore had been lower, the land revenue must have been fixed at a smaller number of rupees than it has been, in those cases in which it has been fixed in recent years?—I cannot recall a case to which that applies. I mean the great majority of the districts are affected as I say. Their prices have been raised by the extension of communications.

3177. Yes; but, accepting the whole fact of the extension of communications, the prices are still higher than they would have been if there had been no fall of exchange?—They are to a certain extent.

3178. So far, then, as they are higher than they would have been but for a fall in exchange, there would have been a tendency to fix the revenue higher than it would have been fixed if there had been no fall in exchange?—Yes, that is true to a certain extent.

3179. (*Mr. Currie.*) Is the land revenue fixed by prices or by quantities of produce?—Prices mostly. In the greater part of India the land revenue is an aliquot part of the rent, and the rent varies with prices, though it takes a term of years before changes of price are reflected in rents.

3180. (*Lieut.-General Strachey.*) But in the greater part of India, surely, the produce is not of a nature that is affected by export prices; the ordinary food of the people is not affected by export prices?—It is not affected immediately, but I think it is affected in the long run.

3181. Not directly?—I think it is affected. For instance, the millet grains rarely appear in the European market. If wheat goes up in price greatly, the prices of millet grains go up to some extent in sympathy with it, and therefore they are affected.

3182. But only in case of famine?—No, I do not think so. I think, if you take the Punjab and the North-west, where the greater portion of the wheat is grown, when we had great wheat crops in 1891, you will find that the grains which never came to Europe at all went up in price in sympathy with the rise in wheat. That is undoubted.

3183. (*Chairman.*) If there were any action on the part of the Government in the direction of raising the exchange to an extent which had an effect upon prices—that caused the prices to fall—would not that operate unfairly as regards the land revenue, where it had been fixed in recent years in relation to prices?—I do not know about operating unfairly, my Lord; it would make the burden of the land revenue slightly heavier on the land.

3184. Yes; but would it not be unfair in this respect? The land revenue has in recent years been fixed at a rate having relation to prices, the prices being higher owing to the fall in exchange. I am assuming that to some extent?—But may I say one thing? You speak of prices. We do not settle the land revenue on the prices of a single year; we settle the land revenue on the prices of a long series of years, and I do not think you can say that the prices of the last 10 years have been largely affected by the change in the silver.

3185. But have they not been affected in this way, that they must have been somewhat lower if there had been no fall in exchange, in so far as they are at all affected by the gold prices—export prices?—Export staples would have been somewhat lower, but I think it is very difficult to say how much.

3186. I am not seeking to measure the extent, but, in so far as the export prices are higher than they would have been if exchange had remained at its old level, if you were now artificially to raise the exchange, would it not have a somewhat unfair effect upon those whose land revenue has been fixed in relation to prices which were what they were by reason of the falling exchange?—I think that would be quite true if you made a very great rise, but I think it is a question of degree. For instance, if by any arrangement you were to make the rupee worth 2*s.* exchangeable value, then I think that question would arise and be very serious; but, if you were to make the rupee at 1*s.* 4*d.* or 1*s.* 5*d.*, which is about the average of what it has been during the last three or four years, I do not think that question would arise.

3187. And you say a settlement is effected by a range of prices going back a good many years?—Yes, for about 10 years.

3188. (*Sir Thomas Farrer.*) So that in fact the settlement relates back to a time before the very great fall in the value of the rupee?—That is so, sir. When I made settlements, the settlements I made were in the Central Provinces, from 1862 to 1864. That was the time of the American cotton famine, and the districts I settled were cotton-producing districts. The price of cotton was quoted at 25 pence, whereas the normal price was about three or four pence, but I never thought of assessing upon that 25-pence price; but the assessments I made, although prices were then standing at 25 pence, and have since fallen to three or four pence, have stood well for 30 years.

3189. (*Chairman.*) Then, in your opinion, supposing the Indian Government were to close the mints, and so to affect the exchange, its operation upon those whose land revenue had been settled would not be unfair if it caused only a small rise?—That is what I think, my Lord.

3189*a*. If, on the other hand, you were to cause a large or sudden rise, then there would be objections to such a course?—There would be difficulty.

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3190. Rangoon is liable to reflect outside influence upon its prices?—Very much, because nine-tenths of the whole crop area in Lower Burmah are under rice, and out of the whole rice-yield of Lower Burmah more than one-half is exported, and therefore the prices of the world affect prices in Burmah more directly than they do any other part of India.

3191. You have taken out, I believe, the quinquennial range of prices for wheat and rice, at Calcutta, Bombay, Cawnpore, and Rangoon?—Yes, here it is.

Number of seers (about 2 lbs. to the seer) sold for one rupee, at the average price of quinquennial periods.

Calcutta.			Bombay Wheat.	Rangoon Rice.	Cawnpore Wheat.
Period.	Rice.	Wheat.			
1866-70	14·8	15·74	8·61	13·27	15·55
1871-75	15·46	14·01	11·41	14·25	20·12
1876-80	11·86	13·48	8·46	12·99	17·5
1881-85	14·06	14·63	10·85	13·87	20·48
1886-90	15·14	13·71	10·06	12·74	16·88

3192. And shown the number of seers sold for one rupee on the average of five years?—Yes, I have not brought it down to 1891, because that was a very exceptional year.

3193. I see that the price in Calcutta in the quinquennial period, 1886 to 1890, was very nearly the same as in the quinquennial period, 1871 to 1875?—Yes, my Lord.

3194. A very slight change?—Yes, from 1871 to 1875 is the period of the Bengal famine.

3195. Yes, but in 1876 to 1880 it was very much dearer than in 1871 to 1875?—Yes, that was the Madras famine. The Madras famine was more serious than the Bengal famine, and more general.

3196. Were there any special circumstances in the periods 1881 to 1885 and 1886 to 1890?—No, I know of no special circumstances.

3197. That shows a fall in the price of rice in the last quinquennial period, 14·06 in 1881 to 1885, and 15·14 in 1886 to 1890—not much?—Yes.

3198. The Rangoon rice I see is almost exactly the same in 1886 to 1890 as it was in 1876 to 1880?—Yes, 1876 to 1880 was the period of the Madras famine.

3199. (*Lieut.-General Strachey.*) Rangoon rice, Burmese rice, is not eaten by the people of India much?—No, not ordinarily, but it is eaten in China and farther Asia.

3200. But the famine would not affect it much?—A good deal was exported to Madras during the famine.

3201.—I say relatively?—A great deal came in the Madras famine. I think about 150,000 tons, as far as I can recollect.

3202. (*Chairman.*) The fall in silver during 1892 was not reflected by any rise of price in rice?—It was not affected by any rise in the price of rice. What is more, the fall in silver was greatest in the last eight months of 1892, and in Rangoon, during those months, the rice export prices fell instead of rising.

3203. (*Mr. Currie.*) Fell in rupees?—Yes, the rupee price. The export rice fell from 135 rupees per 100 bushels in April to 115 in November, and that synchronises with the most serious fall we have had in silver; and what is more, they expect this year to have the lowest rice prices they have had for 20 years; the year we are now in.

3204. (*Lieut.-General Strachey.*) How do you account for that?—Because there are large rice crops everywhere, in Burma, Japan, Siam, and Saigon.

3205. (*Sir Arthur Godley.*) Saigon has just come in with a very large crop?—Yes. Saigon has sent much more rice to Europe last year than in 1891.

3206. (*Lieut.-General Strachey.*) Has the opening of the railway in Burmah affected prices?—No, the Upper Burmah railway has hardly affected prices, because Upper Burmah exports no rice,—indeed she consumes rice from Lower Burmah.

3207. (*Chairman.*) Of course, if the exchange were fixed even at its present rate, the price of such produce as is exported might fall, owing to the general causes which have made the gold prices lower, of wheat for example?—They might fall in sympathy with the prices in Europe.

3208. And that fall would then not be counteracted by any fall in silver?—Yes, that is so; the rupee price would not be maintained.

3209. What I mean is that a fall in the gold price would operate more strongly to produce a fall in the rupee price when you had fixed the exchange, than it would with a falling exchange?—That is so, my Lord.

3210. Do you think that, supposing the mints were closed, there would be a likelihood of the fall of prices being attributed, though it may be erroneously, to the action of the Government, and not to natural causes—other causes?—I think there would be in newspapers, but among the great mass of the people they would know nothing about it. The majority of producers all over India would know nothing about the closing of the mints.

3211. You think they would not be reached by an agitation on the subject, and a suggestion that it was due to the action of the Government that they found their prices falling?—I do not think so. I do not think there would be any political danger.

3212. Supposing silver should continue to fall, and fall heavily, do you see any way in which the finances of the Indian Government could be brought into equilibrium?—If there is a fall of anything like to a shilling, I do not see how they can. Our sources of revenue are comparatively few. For instance, there is the land revenue, and nearly one-fourth of that is permanently settled by engagement with the Government made nearly one hundred years ago, and we cannot touch that; and the rest of the land revenue is settled for long periods of 30 years, and over a great part of the country the 30 years' settlement has recently been made. The land revenue does practically in ordinary times give you an increment of about $1\frac{1}{2}$ crores or $1\frac{3}{4}$ crores every 10 years, but beyond that I do not think you could get much.

3213. The settlement in the north-west provinces is nearly complete?—Yes, that is practically complete, and you could not touch that again for 30 years, without disturbing the mind of the people to an extent that would be politically dangerous.

3214. The Punjab is nearly complete?—The Punjab settlement is nearly over; the Central Provinces are nearly half over; Oudh is beginning, you could perhaps alter the system in Oudh.

3215. Madras?—In Madras the districts are not yet done, but some of the older districts will come under re-settlement. I do not believe you could alter the system there.

3216. In Bombay the re-settlement has just been done?—It is practically done for 30 years.

3217. (*Sir Arthur Godley.*) Is it not generally accepted that higher assessments are most impolitic?—That is what most of the people who are concerned with India think.

3218. I mean the higher authorities. I mean particularly people like Lord Lawrence?—There is no doubt he was very strong against the high assessments. It is the most dangerous thing that we can do to raise the assessments when the people do not understand the reason, and the people would not understand the reason in this case. If we made an arbitrary increase in the assessments, they would not understand that we were driven to it by circumstances in other parts of the world. They would put it down to the action of the Government. They would think it quite unwarranted.

3219. (*Chairman.*) Then Oudh, Assam, Burmah, and Madras, so far as the re-settlement is beginning again, would be the only provinces in which it would be possible to start a new system?—You might perhaps start a new system in those provinces—I mean a system of assessments fluctuating with grain prices.

3220. (*Mr. Currie.*) What is thought, speaking roughly, the proper proportion that the revenue produce ar to the total produce? To the gross sould? be

3221. Yes?—It is very difficult to say. I put it down as one-eighth to one-twelfth. Some people say it is only 5 per cent. I think the Famine Commission put it down at 5 per cent.

3222. (*Lieut.-General Strachey.*) Did not the Famine Commission say less than that?—After reference, I find that at page 89 of their Report [Part II., section VII., paragraph 2], the Famine Commission say the Government takes as land revenue a fixed share of the produce, "estimated at from 3·8 to 7·8 per cent. of the gross out-turn." But I should say that the real truth was that over all India it ranges from one-eighth to one-twelfth. When I say over all India, I mean temporarily settled India. In the permanent settled tracts it is a very much smaller proportion.

3223. (*Chairman.*) What proportion do the permanently settled districts in India bear to the total?—In area it is probably more than a quarter, and in revenue it is about one-fifth—the land revenue proper.

3224. As regards other methods of raising revenue, do you think it is practicable to increase the excise revenue?—It has been raised; it has been quadrupled within the last 30 years. That is principally due to raising the rates of duty on liquor, and on narcotics. Those can be gradually raised. I do not think they can be raised very suddenly, without driving the people to smuggle.

3225. What should you say with regard to an increase of the salt duty?—It is the safest and the easiest increase you could make, but the Government at home and in India is pledged to reduce the duty, and it is a tax which falls almost entirely upon the poor—mainly on the poor.

3226. About what is the *ad valorem* duty on salt at present?—It is about 600 per cent. *ad valorem*. It is the only tax paid by the poor in India. A poor man who does not drink pays absolutely no other tax at all, because you cannot call the land revenue a tax; that is really a rent. I mean the prices of food are no lower in parts of India where there is no land tax at all.

3227. The income tax at present yields one and three-quarter crores—about?—Yes, nearly one and three-quarter crores. It is now about sixpence in the £., and if you double it you might get another one and a half crores, but then it would strike exactly the classes who are most hurt by the fall in exchange. I am not quite certain, but I think that more than one-third of the whole income tax of India is paid by the great presidency towns.

3228. The limit is Rs. 500 a year?—Rs. 500 a year is the minimum of taxable income.

3229. The stamp duties?—You could not increase the stamp duties suddenly; indeed, there has been a great complaint against the stamp duties, because two-thirds of them are really a tax on justice.

3230. Export duties?—The only export duty we have at present is on rice, and the Government has been pledged over and over again to take this off as soon as they can. Lord Northbrook took off the export duties on wheat 20 years ago, and the whole of the wheat trade has sprung up in consequence; there was no export wheat trade before.

3231. (*Lieut.-General Strachey.*) It would be an immense relief and stimulus to the rice production in Burmah, if you took off the export duties?—It would be a great impetus, but there is this to be said, the countries which have had a monopoly of the rice trade of the world outside India are Siam, Cochin China, and Japan, and all those countries levy about the same duty.

3232-3. And the export duty on Burmese rice is in reality a tax put on Burmah for the support of the rest of India?—We reckon that it is paid by the producer; it comes to a land tax.

3234. (*Mr. Currie.*) Not so of a monopoly article. If you have a monopoly, the consumer pays it?—Suppose Siam and Bangkok levy export duty, and Burmah takes off hers, Burmah would sell more of her rice.

3235. Can you not say, for instance, of the opium duty, that it is paid by the consumer?—Yes, but I am not sure that you can so speak of the rice duty. If the duty were taken off, the rice producer would benefit, as well as the consumer.

3236. (*Chairman.*) Are there any import duties, do you think, which could be imposed?—Import duties could be imposed, I think, and, what is more, I believe that the people of India would like to see them. In fact, if India were self-governed, they would have import duties now, in place of some of the other sources of taxation that they have.

3237. But you do not think that import duties should be accompanied by excise duties on the articles taxed on import?—I think that would be very abhorrent to people in India; for instance, if you put on an *ad valorem* duty all round on imports, I think the Indians would think it a great hardship if their corresponding articles of home production were excised. For instance, if their piece-goods and yarns made in factories or at the homes of workers, or their coal, or their iron, were excised, I think it would be difficult to get the Indians to agree to it, and difficult to get any Council in India to agree to it.

3238. Would not tobacco be a possible subject for taxation?—I think the difficulty about tobacco is that it is grown in almost every village of the country, and it is consumed by almost every man and a great many of the women and children in the country, and you would have to interfere with the production all over the country. The area under tobacco is now something about 500,000 acres. If you put a 5-rupee tax per acre upon that, it would give you a quarter of a crore of revenue, but it would raise enormously the price of tobacco. But, if you wanted to raise a larger sum, for instance, one and a half crores or two crores, from tobacco, you would have to interfere and tax tobacco in many ways, and it would really raise the price three or four times over. Tobacco and sugar are the only two luxuries that the masses of India have at all, but they all of them consume tobacco and sugar.

3239. Do you think a succession tax would be practicable as a mode of increasing the revenue?—I think it would be practicable, and one advantage is that it would fall on the rich, but it would strike exactly the same class as the income tax now strikes. And there would be this difficulty, that many of those who now pay the income tax are the people who are most hurt by the exchange trouble, and the succession tax would just tax them.

3240. (*Mr. Currie.*) And supposing, Sir Charles, that you put on a tax or taxes which would fill up the present deficit, which we will assume to be one and a half crores, that would not fill up the deficit if there was a further fall in silver?—If silver went down to 30*d.* or below, there would then be a deficit of 10 crores, and that is the deficit that I thought it was impossible to fill by taxation; I was not speaking of one and a half crores, I think you could fill that.

3241. The view you take is that you could only fill up the deficit with a certain danger of political disaffection?—I do not think there is any danger of political disaffection from import duties.

3242. But would they be in the interest of the country?—I think they would be very acceptable to the people, in place of other sources of revenue.

3243. But has not their repeal done something to promote the prosperity of India; have not the cotton mills flourished wonderfully?—I should have said

Sir C. E. Bernard, K.C.S.I.

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they have flourished in spite of the repeal of the import duties, and not in consequence of them.

3244. Well, the prediction was that they would cease to flourish?—Yes, it was so said.

3245. (*Chairman.*) Do you know that one suggestion made is that they have been able to flourish, in spite of it, on account of the fall of exchange; that is the suggestion made from Lancashire?—But that can only apply to home consumption in India, and not to consumption in China. Where the Bombay manufactures have come into serious contact with Lancashire is in the Chinese and Japanese markets, and I do not see that the fall in silver has made much difference to them.

3246. The suggestion is that the fall in silver has enabled the Bombay manufacturer to work with a less cost of production; that, although he may pay the same number of rupees in wages, he is paying really less wages than he was before; and that the cost of his production has become less, whilst the cost of production in Lancashire remains stationary always; that is the suggestion made?—My own impression is that wages have gone up in India, although I admit that this volume of Mr. O'Conor's does not show it, but I think that most people who know about India agree that wages have gone up.

3247. I do not know whether you have considered at all the suggestion that, if the rupee were fixed, and there was a heavy fall in silver, the trade in cotton goods between India and China would be likely to be largely affected prejudicially?—I have not considered it, my Lord; I am not quite certain that I follow the argument why it should be.

3248. The suggestion is that China would not be prepared at once to give more silver than before, and therefore that the prices of the produce exported must fall, whilst the cost of production would remain the same at least, or perhaps be higher?—Would that put the Bombay mills in any worse position as compared with Lancashire?

3249. I am not speaking of their competition with Lancashire?—That is really where they do compete with Lancashire, and now they have got to compete with China and Japan, which are making their own yarns at home.

3250. The suggestion is that, quite apart from the Lancashire competition, it would be a check upon the trade between Bombay and China if the rupee were fixed or raised; if it were raised, that the wages would be in relief of course of the cost of production, and therefore increased, whilst the tendency would be to lower prices for the goods, and consequently trade would be prejudiced; you have not considered that?—No.

3251. It has been a trade of growing importance, the cotton trade between India and China?—Yes, it has grown greatly—in fact, for the lower count of yarns India has got these markets as against Lancashire.

3252. (*Sir Reginald Welby.*) Do you happen to recollect the difference between the present produce of the income tax, and the amount realised by the income tax as originally put on by Mr. James Wilson—Mr. Wilson's was the first income tax?—I was one of the assessors of that tax myself, it was at the rate of four per cent.

3253. But do you remember what it produced?—It yielded two crores.

3254. And now?—The rate of income tax is 2½ per cent., and it yields from one and a half to one and three quarter crores—I am speaking roundly. There is one thing I should mention—namely, that Mr. Wilson's income tax went down to incomes of 200 rupees a year, though the rate was lower for the incomes below 500. It was payable also on land incomes. The present income tax goes down only to incomes of 500 rupees a year, and it does not touch landed incomes.

3255. Therefore, that would represent a considerable increase in the tax-paying power of the well-to-do classes?—Undoubtedly in 30 years.

The witness withdrew.

Adjourned.

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CORRESPONDENCE between the GOVERNMENT OF INDIA and the SECRETARY OF STATE, laid by him before the COMMITTEE.

No. 1.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Calcutta, 23rd March, 1892, No. 68.

MY LORD,

WE have the honour to forward, for your Lordship's information, a copy of the correspondence noted on the annexed schedule, with the Bengal Chamber of Commerce, in which the Chamber inquires what we propose to do with reference to the heavy fall in the value of the rupee which has followed on the fall in the price of silver in the United States.

2. Your Lordship is aware of the anxiety with which we regard this question and of its high importance in our estimation as affecting the interests of India. We have, at various times, for instance in our letters No. 45 of the 2nd February 1886, and No. 277 of the 4th September 1886, fully expressed our views on the subject, and it is unnecessary to repeat them here. But we desire to say that the violent oscillations in the price of silver since 1890 and its rapid decline during the last year to the lowest point yet reached, cause us, as they have caused the mercantile community, the gravest anxiety for the future.

3. We are desirous, as we have always been, of aiding in the settlement of the silver question by international agreement, and, if proposals should be made by the United States or by any other Government for the holding of an International Conference, we trust that your Lordship will lend those proposals your strongest support.

4. In our opinion it is not open to question that, if international agreement is not arrived at, the United States Government will sooner or later be driven either to the adoption of a silver standard or to the abandonment of its purchases of silver. It is certain that the cessation of the purchases of silver by the United States could not fail to depress still further the price of that metal, and the policy to be followed by India in that event deserves the most serious consideration on an early date.

5. The stoppage of the coinage of silver by the United States will probably, if it should come, come suddenly, and, if we defer, until it has taken place, the consideration of the measures which in that event it may be expedient to adopt, we shall find ourselves unprepared and left with no time for due consideration.

6. We are therefore of opinion that the subject should be considered in all its bearings beforehand, and we recommend that, in view of the possible action of the United States in the future, Her Majesty's Government should now take into consideration the question whether any, and if so what, measures can be adopted for the protection of Indian interests against the further decline in the gold value of the rupee to which, for the reasons which we have given, we may be at any moment exposed, and the violent fluctuations in the relative value of gold and silver to which, under present circumstances, we cannot assign any limit either in time or in amount.

We have, &c.,
LANSDOWNE.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
R. C. B. PEMBERTON.

Enclosures in No. 1.

SCHEDULE OF PAPERS.

Letter from the Bengal Chamber of Commerce, No. 83/92, dated 4th February 1892.

Letter to the Bengal Chamber of Commerce, No. 571, dated 10th February 1892.

Letter from the Bengal Chamber of Commerce, No. 113/92, dated 18th February 1892.

From S. E. J. CLARKE, Esq., Secretary, Bengal Chamber of Commerce, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department, 4th February 1892, No. 83.

I AM desired by the Committee of the Chamber of Commerce to state that their attention has been directed to the telegrams recently received from Europe, to the effect that America had invited the different Powers to a Conference for the purpose of considering the Silver Question.

I am also directed to inquire whether, in the event of the proposed Conference being unable to fix a ratio between silver and gold, and America being forced to abandon her present Bill dealing with the purchase of silver, the Government of India propose to take any action with reference to the position of silver in this country.

From J. F. FINLAY, Esq., Secretary to the Government of India, Finance and Commerce Department, to the SECRETARY, Bengal Chamber of Commerce, 10th February 1892, No. 571.

I am directed to acknowledge receipt of your letter No. 83/92, of 4th February 1892, stating that the attention of the Chamber has been directed to the telegrams recently received from Europe, to the effect that America had invited the different Powers to a Conference for the purpose of considering the silver question, and inquiring whether, in the event of the proposed Conference being unable to fix a ratio between silver and gold, and America being forced to abandon her present Bill dealing with the purchase of silver, the Government of India propose to take any action with reference to the position of silver in this country.

2. In reply, I am to say that it would be impossible for the Government of India to offer any assurance as to the course which they might take in a hypothetical case, which would only arise upon the assumption (i.) that the Conference referred to in Reuter's telegrams is held; (ii.), that it is unable to fix a ratio between the two metals; and (iii.), that America thereupon determines to abandon the legislation under which the State is at present compelled to purchase certain amounts of silver.

3. I am, however, to add that the Government of India recognises the great importance of the subject to which you have invited their attention, and will be glad to be favoured with any recommendations which, in view of the possibilities referred to, the Chamber may desire to make.

From S. E. J. CLARKE, Esq., Secretary, Bengal Chamber of Commerce, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department, 18th February 1892, No. 113.

I am directed by the Committee of the Chamber of Commerce to acknowledge receipt of your No. 571 of the 10th instant, on the subject of the recent fluctuations in the relative value of gold and silver, and the inconvenience to legitimate trade which has resulted therefrom, and the uncertainty which exists as to the future exchange value of the rupee.

2. The fluctuations in the Indian exchanges to which the Committee desire to invite special attention are the great rise which took place in 1890, and the great fall which has taken place in 1891, and the first month of the present year 1892.

In 1890 demand bills on London rose from 1·4⅞ to 1·9, and since then have fallen to 1·3¾.

It is, in the opinion of the Chamber, impossible for men of business to feel any confidence in the future value of the rupee, and they believe that such a state of things restricts the investment of capital in this country, and seriously hampers legitimate enterprise.

3. It appears to the Committee that there is no complete remedy for these great and rapid fluctuations in the exchange between India and England, except either the establishment, by international agreement, of a system of free coinage of both metals at a fixed ratio, or the adoption of a gold standard by India.

Some hold that a partial remedy would be found in the adoption of a silver standard by the United States of America, which would have the effect of steadying the value of silver in relation to gold, and of preventing so great a fall in the price of silver as would otherwise occur, while others hold a contrary opinion.

4. Failing these remedies, the Committee see nothing in the future except the gradual demonetization of silver by one country after another, violent and endless fluctuations in the relative value of gold and silver, and a fall in the value of the rupee relatively to gold, the extent of which it is impossible to predict. The recent decision of the Austro-Hungarian Government to adopt a gold standard indicates very clearly what is likely to happen if special measures are not adopted to settle the question.

5. Under these circumstances, the Committee experiences considerable difficulty in making definite recommendations, as it is necessarily not so well informed as to the probable action of Foreign Governments as the Government of India must be.

6. The remedy which would be attended with least risk appears to the Committee to be an international agreement for the free coinage of gold and silver at a fixed ratio, and the nearer such ratio might be to the market rate of the day the less would be the immediate disturbance of trade.

7. The Government of India will no doubt be able to form its own opinion as to the probability of any such agreement being arrived at either in the present day or at some future time.

8. While the Committee are of opinion that the adoption of free coinage of silver in America might not have the effect expected by many, still it appears to them that the Government of India would be following a safe policy in promoting the holding of an International Conference on the subject, and in offering such inducements as it reasonably can to bring about an international agreement.

9. If success cannot be secured in this way, there appears to be nothing before us but the prospect of endless fluctuations in the relative values of silver and gold, attended with a fall in the value of silver of indefinite amount, and the Committee think that in such case the Government of India should take steps to have the question of the advisability of introducing a gold standard into India carefully and seriously considered by competent authorities.

No. 2.

The Secretary of State for India, to the Governor-General of India in Council, 2nd June 1892, No. 92.

Fall in the gold value of silver : Monetary Conference.

My Lord Marquis,

On the receipt of your Excellency's letter, dated the 23rd of March, No. 68, respecting the fall in the gold value of the rupee which has followed on the fall in the price of silver in the United States of America, I caused copies thereof to be laid before Her Majesty's Government, in order that they might be fully aware of the importance of the question to the interests of India.

2. Your Excellency will have observed with satisfaction, from a reply given by the Chancellor of the Exchequer on the 11th ultimo to a deputation which had an interview with him and the Prime Minister on the subject, that Her Majesty's Government have decided to accept an invitation from the President of the United States, to take part in a Conference which is about to be assembled, in order to consider by what means, if any, the use of silver can be increased in the currency system of the nations.

3. A copy of a letter addressed to the Treasury on the 13th of May is enclosed for your information.

I have, &c.,
Cross.

Enclosure in No. 2.

The Under Secretary of State for India to the Secretary of the Treasury, 13th May 1892, F. 1420.

Sir,

I am directed by the Secretary of State for India in Council to transmit, for the information of the Lords Commissioners of Her Majesty's Treasury, a copy of a letter* received from the Government of India on the subject of the very heavy fall which has recently occurred in the value of the rupee as measured in gold.

Their lordships are well aware of the extreme importance of this question to the Government of India, whose views have been from time to time expressed in despatches published in the documents mentioned in the margin*. Viscount Cross does not desire at the present moment to discuss the question of the measures that it may become necessary to adopt, but he feels sure that the Government of India will peruse with satisfaction the report of the Chancellor of the Exchequer's speech on the 11th instant, in which he stated that Her Majesty's Government had decided to accept an invitation to take part in a Conference assembled to consider whether any means can be adopted for increasing the use of silver in the currency of the nations.

As illustrating the enormous difficulty in adjusting the taxation in India to the expenditure, which arises from the great fluctuations in exchange, I am desired to mention the following facts :—In December 1890 the rate of exchange was, with the concurrence of the Treasury, fixed for 1891–92 at 1*s.* 6$\frac{1}{2}$*d.* the rupee, in agreement with the gold value of silver at that date; in about four months the rate for selling bills on India had fallen to 1*s.* 4$\frac{3}{4}$*d.* the rupee, causing an increased charge in the remittances for India, estimated for the year then commencing, of Rx. 2,168,000. From the middle of February to the 18th March last, when the Budget for 1892–93 was under consideration, the value of the rupee ranged between 1*s.* 4*d.* and 1*s.* 3$\frac{3}{4}$*d.*, and the Government of India adopted the higher of those two rates; within 11 days from the publication of the Budget, the market rate in India had fallen below 1*s.* 3*d.*, at which rate the drop of a penny in the rupee would cause an additional charge for remittance in 1892–93 exceeding Rx. 1,700,000.

Thus, within a few weeks, the Government of India is liable to find itself exposed to the necessity of providing a sum greater than the whole of its receipts from either the customs duties or the assessed taxes, or from the recent increase of the duty on salt; and this result ensues from causes over which neither the Government nor the people of India have any control, but which arise for the most part from legislation, either actual or threatened, by other nations.

Nor is it only to the Government that this most serious inconvenience is caused. The disadvantage to trade in India is shown by the letter from the Bengal Chamber of Commerce, which the Government of India have forwarded; and there can be no doubt that it is equally felt by the merchants in the United Kingdom who have transactions with India. Any measures, therefore, which can bring about a comparatively stable rate of exchange, are to be cordially encouraged in the interests of the people of India, and of the mercantile community trading between this country and our Eastern possessions.

I have, &c.,
A. Godley.

No. 3.

The Government of India to the Secretary of State for India, Simla, 21st June 1892, No. 160.

My Lord,

In our Financial Despatch, No. 68, dated 23rd March 1892, we requested your Lordship to lend your support to any proposals that might be made by the United States of America, or by any other country, for the settlement of the silver question by international agreement. At the same time we called attention to the probability that, failing an international agreement, the United States would be forced to stop the purchase and coinage of silver, and we requested that Her Majesty's Government, in view of this contingency, should now take into consideration whether any, and, if so, what measures could be adopted for the protection of Indian interests.

2. Since that Despatch was written, we have learnt with satisfaction that Her Majesty's Government have accepted the invitation of the United States to take part in an international Conference to consider measures having for their object the more extended use of silver as currency, and that your Lordship agrees with us in the importance of Indian interests being properly represented.

* 23rd March 1892, No. 63, with enclosures.

* Parliamentary Papers, No. 449 of 1881; Command Paper, No. 4868; Royal Commisson on Gold and Silver, 1887, 1st Report, Appendix No. 12.

At the same time we cannot overlook the strong opposition to the introduction of the system of double legal tender into Great Britain that has been manifested in certain quarters; and we observe with regret that the Conference has been summoned to consider the question of the more extended use of silver as currency, and not for the purpose of considering the adoption of an international agreement for the free coinage of gold and silver, and the making of both gold and silver coins legal tender at a definite and uniform ratio.

3. We fear that a refusal on the part of Great Britain to adopt the system of double legal tender may be fatal to an international agreement for the free coinage of both gold and silver, on a sufficiently wide basis; and we believe that a limited increase of the quantity of silver used as currency will exercise a very trifling influence (if any) in raising, or preventing a fall in, the gold price of silver, while it will be wholly without effect in the far more important matter of preventing fluctuations in the relative value of the two metals. We greatly regret this state of affairs, both because we believe that no other country is so deeply interested in, or would benefit so greatly by, a uniform standard of value throughout the civilised world as Great Britain, with her vast system of trade and the great extent of her finance, and because the final rejection of an international agreement for free coinage of both gold and silver will leave this country face to face with a problem of the greatest difficulty.

4. If the forthcoming international Conference fails to arrive at a satisfactory decision regarding the silver question, we apprehend that it will very soon be necessary for the United States to decide either to accept a silver standard, or to abandon the purchase and coinage of silver on a scale in excess of what is required to keep up the necessary subsidiary coinage.

If the United States abandon the attempt to maintain the use of silver as standard money, there must be an immediate and very great fall in the price of silver, which would re-act on the Indian exchanges and increase indefinitely the rupee burden of our sterling obligations.

The recent fall in the rate of exchange has already imposed upon our finances a burden which we shall have some difficulty in meeting, and we cannot contemplate without dismay the prospect of another fall of indefinite amount, attended no doubt with great and sudden fluctuations in the gold price of silver, and to be followed possibly by further falls in the future.

It must also be remembered that, if the present conditions continue, the pecuniary difficulties of the Government of India will not be limited to the loss by exchange. The fall in silver causes distress to a very large number of our European officers of all services, but especially of the Army, who have to remit money to their families in England. This distress is rapidly becoming acute. It has been borne hitherto with great patience. But, in the case we have just supposed, we shall, unless the efficiency of the services is to suffer, find it necessary to satisfy, in a reasonable manner, claims involving compensation to a large amount.

5. We have carefully reviewed all the circumstances of the case, and we desire to place on record, for your Lordship's information, our deliberate opinion that, if it becomes evident that the International Conference is unlikely to arrive at a satisfactory conclusion, and if a direct agreement between India and the United States is found to be unattainable, the Government of India should at once close its mints to the free coinage of silver, and make arrangements for the introduction of a gold standard.

In arriving at this conclusion, we have been mainly influenced by a consideration of the fact that the abandonment of silver by the United States of America would involve the perpetuation of all the evils from which we have suffered during the last twenty years, and possibly their perpetuation in an aggravated form, unless steps are taken for the establishment in India of a gold standard.

We believe that public opinion in India is ripe for the adoption of decisive measures, that the stoppage of the free coinage of silver would be generally approved, and that we might safely count on receiving every reasonable assistance from the commercial and banking classes in the attempt to introduce a gold standard.

6. We forward as an enclosure to this Despatch a Minute by our honourable colleague Sir David Barbour, which gives an outline of the method he would propose to adopt for the introduction of a gold standard into India if such a measure should become necessary. It will be seen that he does not support the proposal to stop the free coinage of silver if the Conference fails and a direct agreement between India and the United States is found to be unattainable, but that he would adopt that measure as soon as it is evident that the United States will not adopt the free coinage of silver.

7. Our honourable colleague Sir A. Miller fears that, if all action be deferred until it is known to what conclusion the Conference will probably come, the effect of such knowledge on the silver market will be such as to make it then too late to act with effect. Failure on the part of the Conference to arrive at a satisfactory conclusion will find the Government of India in a very much worse position for introducing a gold standard, if it has not in the meantime taken steps to prepare the way by an alteration in the terms on which it coins silver for the public, than it is at the present moment. He thinks that measures ought to be taken at once which would enable the Government of India to close its mints against silver at any moment, and to introduce a gold standard if and whenever, from the course of proceedings at the Conference or otherwise, they may deem it desirable to do so.

8. It may perhaps be desirable to make known at some stage of the proceedings of the Conference our views regarding the introduction of a gold standard into India. But this question, as well as the question of the expediency of India negotiating directly with the United States of America, as suggested in our telegram* of 19th May, may stand over until the Conference has assembled, and the representatives of India are in a position to report what the prospects are of a satisfactory solution being attained.

We have, &c.

LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. H. T. CROSTHWAITE.

Enclosure in No. 3.

Minute by the Honourable Sir DAVID BARBOUR, K.C.S.I.

In dealing with the currency of British India it is necessary to draw a distinction between the active rupee circulation and the total number of rupees in existence. A large proportion of the rupees issued from the mints and not melted down are kept as permanent hoards and fulfil none of the functions of money. This distinction cannot, however, be sharply drawn, as rupees are always liable to pass from hoards into the active circulation, and *vice versâ*. What I call the active rupee circulation may be held to include all the rupees which at some period of each year are used as money.

The total active rupee circulation has recently been estimated at Rx. 115,000,000.

Without accepting these figures as more than an approximation to the truth, they are sufficient to show that a gold standard with a purely gold currency is impossible in India. To establish a gold currency in India with a full legal tender currency composed entirely of gold, it would be necessary to withdraw from circulation about 1,150 millions of rupees, to melt them down, and sell them for what they would fetch as silver bullion, and then to replace them by about 77,000,000*l.* worth of gold.

In the present conditions of India and of the silver and gold markets, this would be an impossible operation.

Moreover, a gold standard with a purely gold currency of full legal tender coins would not suit India (even if it were possible to introduce it), because the

* . . . We desire to call your Lordship's attention to para. 133 of Part II. of the Final Report of the Gold and Silver Commission, and to suggest that, failing an international agreement, it may be possible for India and the United States to come to a direct agreement as to coinage of silver. . . . We are of opinion that the time for a merely academic discussion of the problem is past, and urge that a determined effort be made to settle the question by the adoption of practical measures.

gold coins would in practice be of too great value to suit the vast majority of Indian transactions.

2. It follows from what has been stated in the preceding paragraph, that, if we are to have a gold standard in India, a large proportion of the circulation must consist of silver coins, and these coins must be a legal tender to any amount. The example of France and other countries shows that it is possible to have a gold standard, although a large percentage of the circulation consists of overvalued silver coins which are legal tender to any amount.

In order that the gold standard may be effective, a limit must, however, be placed to the number of such coins, and they must be convertible into gold coins, either without payment of premium or on payment of a trifling premium, whenever any person wishes for gold coins in exchange for silver coins.

So long as the silver coins are freely exchangeable for gold coins in accordance with their face values, the gold standard is effectively maintained.

3. I have no doubt that even with a gold standard the people of India would in almost all their transactions prefer to employ silver rupees. It is improbable that a gold coin of less than Rs. 10 in value would be issued in India, and such a coin would be quite unsuited for ordinary Indian transactions. Rs. 10 represents, generally, much more than a cooly's wages for a month, and if a cooly received his wages in the form of a single coin he would immediately exchange it for smaller coins. We could not pay our soldiers or police in gold coins. Payments to the opium cultivators could not be made in gold; neither could the ryots pay their rents in gold.

There would, also, be a not unreasonable dread among the common people that gold coins might be of light weight; they would generally be unwilling to accept them, and for monetary purposes in ordinary life gold coins would hardly be used. This would be the case, I believe, even if gold coins of the value of only Rs. 5 each were issued.

4. It may, then, be taken for granted that with a gold standard the great bulk of the Indian currency must continue to be silver rupees, and that, for monetary purposes, there would ordinarily be no considerable demand for gold coins in exchange for silver. On the contrary, the demand for monetary purposes would rather be for silver coins in exchange for gold coins. Gold coins would only, as a rule, be required in exchange for silver coins, when gold was required for hoarding, for export, or to be melted down for ornaments.

It follows that with a gold standard India would require, and would use, a very large amount of silver rupees, and would neither require nor use a large number of gold coins.

Any gold coins that were put into circulation, and were not melted down or hoarded, would very quickly find their way into the hands of bankers and dealers in bullion, into the Government Treasuries, and into the Paper Currency Reserve.

5. For the purpose of introducing a gold standard into India, we might stop the free coinage of silver, adopt measures for accumulating a store of gold, and, when what was considered a sufficient stock of gold had been obtained, we might open the mints to the free coinage of gold, make gold coins a legal tender, and guarantee by means of our accumulated stock of gold the exchangeability of silver for gold coins according to their face values. I do not recommend this plan; the accumulation of a sufficient store of gold would be a measure too expensive for a country situated as India is, and when it had been accumulated, and the exchangeability of the silver coins for gold coins had been guaranteed by means of it, there would be a very great risk of the whole stock of gold being drawn away in exchange for silver rupees. If this should happen, and I think it would happen unless our stock of gold was very large indeed, the gold standard would cease to exist, and we should find ourselves exactly where we started.

6. The only measures for the introduction of a gold standard into India which seem to me feasible are the following:—

(1.) The first measure would be the stoppage of the free coinage of silver. Government would retain the right of purchasing silver and coining it into rupees

(2.) The next measure would be to open the mints to the free coinage of gold. Any man bringing gold to the mints would be entitled to have it coined into gold coins, which would be legal tender to any amount. It would be desirable to stop the free coinage of silver some time before opening the mints to the free coinage of gold. It would be a valuable guide to us in subsequent proceedings, to know exactly what effect the stoppage of the free coinage of silver had on the gold value of the rupee.

The new gold coins might be a 10-rupee piece and a 20-rupee piece.

7. The weight and fineness of the gold coins to be issued from the Mint would be such that the par of exchange between them and the sovereign would be the exchange which it was desired to establish between India and England.

For example, if we wished the rupee to be worth 1*s.* 4*d.*, the 10-rupee coin would contain as much gold as was worth (1*s.* 4*d.*) × 10 = 160 pence.

The quantity of fine gold in the 10-rupee piece would be $\frac{160}{240}$ths or $\frac{2}{3}$rds of the quantity contained in the sovereign.

8. The question of the ratio at which we should change from the silver to the gold standard would require careful consideration.

We ought not to think of going back to the old ratio of 1 to 15½. Neither ought we to adopt the very lowest price to which silver may have fallen at any time, or to consider ourselves bound to accept the market ratio of the very moment at which the change was made. A ratio based on the average price of silver during a limited period before the introduction of the gold standard would probably be both the safest and the most equitable.

9. We may be quite sure that, on the introduction of the gold standard, bankers and bullion dealers away from the Presidency towns, and, perhaps, in the Presidency towns, would charge something for changing silver coins for gold ones. The general public, however, would very seldom require to make such exchanges, and, if all Government Treasuries were required to give gold coins for silver coins whenever it was possible for them to do so, there could not be any considerable premium on gold coins so long as there were such coins in the public Treasuries or in the Paper Currency Reserve, and the gold standard would, subject to the above condition, be effectively maintained.

10. After the above measures had been carried out, it might happen that no gold was brought to the Mints to be coined and put into circulation, and that the rupee fell in value below 1*s.* 4*d.*

Or, it might happen that though gold was brought to the Mints for a time and the rupee was worth 1*s.* 4*d.*, yet subsequently gold ceased to be brought to the Mints, the gold coins disappeared from circulation, and the rupee fell below 1*s.* 4*d.*

If gold were not brought to the Mint to be coined and put into circulation, or if gold coins disappeared and gold ceased to be brought to the Mints, it would be a sign that the rupee currency was redundant, or, in other words, that there were too many silver rupees in circulation, that consquently their value had fallen below 1*s.* 4*d.* each, that gold coins had been driven out of circulation, and that the gold standard was no longer effectively maintained.

The remedy in such case would be to contract the rupee currency, and to adopt any feasible measures for improving the general financial position of the country. An improvement in the general financial position would give increased confidence, and the reduction of the rupee currency, if carried far enough, must ultimately restore the value of that coin.

11. The greatest danger from the cause just indicated would arise immediately after the first introduction of the gold standard, and would be brought about by silver rupees being returned into India from foreign countries, and by their being thrown into the active circulation from Indian hoards. I think that Indian rupees would certainly be returned to India from abroad when their value in India became greater than their bullion value, but I now doubt very much if Indian rupees would be largely brought out of hoards. It is more likely that existing hoards of rupees would practically remain unaffected. I formerly held a different opinion on this point, and believed that rupees would be largely brought out of hoards when they were given a value exceeding that of the metal contained in them.

12. The reduction of the rupee currency in the manner just indicated, if it became necessary, might or might not prove a very expensive measure. It could of course be spread over a number of years, but until it

had been carried out to a sufficient extent the gold standard would not be effectively maintained. When the rupee currency had once been sufficiently reduced, I should not expect any serious difficulty in the future.

Looking to the increase of population in India, to the rapid opening out of the country, and to the comparatively small part which credit plays in Indian trade, it may fairly be held that even with a gold standard an increase of the rupee currency would be required every year, and that increase 1 place at not less than Rx. 1,000,000 yearly. It might be considerably more, twice or three times as much. When the coinage of rupees was stopped, any redundancy of the silver currency would be diminished yearly by this amount without any action on our part. It is also not impossible that rupees would continue to be withdrawn from the active circulation to be hoarded as at present; they would certainly be hoarded by persons whose savings were small. This cause would still further reduce any temporary redundancy of the silver currency at first starting. Of course while the reduction of the rupee currency was in progress we would not have an effective gold standard, but even during that period of uncertainty I should expect the exchange with England to remain much steadier than it has been during the last few years. It would cease to be blown up and down by every breath of speculation, and, if we could establish confidence in our measures, the rate of exchange would tend strongly towards the rate we had decided to maintain, and would only diverge from it under the pressure of real economic forces.

A nation that possessed a fairly satisfactory standard of value might well hesitate to expose itself even temporarily to the evils of an inconvertible standard, but no such argument applies in the case of India. We already labour under difficulties which are quite as great as those to which an inconvertible paper standard would expose us. The prospect of being unable for a time to effectively establish the gold standard need not, therefore, deter us from the attempt to do so if we see a prospect of success in the future.

13. It is also possible that under certain conditions of trade there might be more gold brought to the Mint and put into circulation than was required for ordinary use as currency.

In that case the public would get rid of the gold coins by paying them into the Government Treasuries. Gold might accumulate in these Treasuries, and the Government could not, in practice, relieve the Treasuries by forcing gold coins on persons who preferred to receive payment in silver.

The proper remedy for any such accumulation of gold would be for the Treasuries to pass the gold coins into the Paper Currency Reserve which could absorb several millions without difficulty, and the Paper Currency Reserve could be relieved, when necessary, by remitting the gold to England in payment of debts, its place being taken by silver rupees.

No serious difficulty arising from an over-supply of gold coins need, therefore, be feared.

14. It is important to consider what the additional demand for gold would be, owing to the establishment of a gold standard in India.

Taking the active circulation at Rx. 115,000,000, I think that gold coins to the value of one-fifth of that amount would be an ample proportion of the active circulation for the purpose of maintaining the gold standard. This would be Rx. 23,000,000 worth of gold, or, say, 15,000,000*l.* sterling. I believe that the gold standard would be maintained effectively with a smaller amount of gold, and that gold in excess of 15,000,000*l.* in the active circulation would be unnecessary and might be a source of positive inconvenience. When we had arrived at normal conditions, the yearly additions of gold required for the active currency would be small, and would probably not exceed 200,000*l.* yearly.

15. It is more than probable, however, that the substitution of a gold standard for a silver standard would lead to an increased use of gold instead of silver for hoarding. On the question of the extent to which this substitution of gold for silver would ultimately be carried, I am unable to offer any opinion.

Silver is at present used for hoarding (as a store of value), and for ornament. When it ceased to be the monetary standard of India it would be less suitable for hoarding, but it might continue to be largely hoarded in the form of rupees, and, on the other hand, silver bullion would fall considerably in value and price, and its greater cheapness would tend to increase its use for purposes of ornament. It must be uncertain to what extent gold would begin to take the place of silver for hoarding and ornaments after the establishment of a gold standard, but in the first instance, at any rate, the extent of the change would probably not be considerable.

It is held by some that, if a gold standard were established in India, a great deal of the gold that is now hoarded or held in the form of ornaments would be brought to the Mints, coined, and put into circulation. I have never been able to accept this theory. Why should a native of India give up his habit of hoarding, or an Indian lady cease to take a pleasure in the wearing or possession of gold ornaments, merely because the Government of India had established a gold standard?

There is, however, a large amount of gold imported into this country every year, and there must always be a considerable amount of gold in the hands of bullion dealers. I think that if we had an effective gold standard it is very likely that all this gold, which is, as it were, waiting till the time for absorption arrives, would be coined and become part of the circulation for the time. To facilitate this result, I would propose not to charge any seignorage on gold coins.

16. In this paper I have dealt with the question of a gold standard for India from a practical point of view. Many objections, founded on considerations not of an immediately practical nature, may be raised to the introduction of a gold standard into India. Some of these objections appear to me to possess weight; others I believe to be imaginary. I have no hesitation in saying that an international agreement for the free coinage of both silver and gold, and for the making of them full legal tender at a fixed ratio, would be far better for India and all other countries than the establishment of the single gold standard, even if the latter course be possible.

Under the former system the worst result that could happen would be the disappearance of one of the metals from circulation, but this would only happen by the other metal taking its place and gradually driving it out, and under such circumstances all countries would have the same standard.

The general adoption of the system of double legal tender would be a perfectly safe measure, and would be a final settlement of the question. The attempt to establish a general gold standard is not free from risk. History affords instances of the establishment of a gold standard in one or more countries, but sooner or later the standard was changed. It may, however, be that the conditions of gold mining have so greatly changed that a gold standard can now be maintained for an indefinite period.

17. With regard to the question of the expediency of attempting to introduce a gold standard into India, I do not go further than saying that, if a general agreement for the free coinage of both silver and gold at a ratio cannot be obtained, and if the United States does not adopt free coinage of silver, I think an attempt should be made to establish a gold standard in this country.

I believe that a perpetuation of the difference of monetary standards between England and her Indian Empire would be a source of incalculable mischief to both England and India, and that such a state of things should not be accepted until it has been proved by actual experiment to be absolutely unavoidable.

D. BARBOUR.

21st June 1892.

No. 4.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Simla, 12th July, 1892, No. 183.

MY LORD,

WE have the honour to forward copy of a letter from the President of the Indian Currency Association, dated the 24th June 1892, and of the memorial therein enclosed, which the Association proposes, when it has been fully signed, to present to the House of Commons. The President of the Association asks for the support of the Government of India and of your Lordship to the prayer of the memorial, that power should be conferred on the Government of India for the introduction, in the event of the failure of the International Conference about to be held, of such changes in the Indian currency system as will give stability to the exchange value of the rupee.

2. Our views on this subject have been stated in our Confidential Despatch, No. 160 (Financial), dated the 21st June 1892.

We have, &c.
LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. H. T. CROSTHWAITE.

Enclosures in No. 4.

From the Honourable J. L. MACKAY, C.I.E., President, Indian Currency Association, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department, 24th June 1892.

I HAVE the honour, on behalf of the Indian Currency Association, to enclose, for the information of His Excellency the Governor-General in Council, copy of a memorial which is now in course of circulation for signature throughout India.

2. Although this Association was founded only last month, its branches have already spread all over the country, and its views and objects, as stated in the memorial, are endorsed and supported by all classes of educated and influential residents and inhabitants in India, Native as well as European.

3. The process of obtaining signatures to the memorial will necessarily occupy some little time, as distances in India are so great. Meanwhile the International Conference proposed by the United States is about to meet, and Parliament is about to be dissolved. It becomes necessary, therefore, that Her Majesty's Government should be promptly made acquainted with the state of public opinion in India on the question of the Indian currency and the necessity of imparting stability to the Indian monetary standard, and I beg respectfully to express the hope that the Government of India will transmit the memorial to Her Majesty's Government, and that His Excellency in Council will be pleased to give his warm support to the proposals put forth therein. The Association has learnt with great satisfaction, from the recently published Despatch of the 23rd March last to the Secretary of State for India, that the Government of India, at the instance of the Bengal Chamber of Commerce, has already strongly represented to Her Majesty's Government the need for immediate consideration of the measures to the adopted in the event of the withdrawal of the United States from its present policy in regard to the currency, and I have, therefore, no doubt that the expression of Indian public opinion on this vital question will be cordially supported by the Government.

4. That the present system is an evil of great and growing magnitude admits of no doubt, and it is equally undoubted that a remedy should have long since been applied and is now urgently needed.

5. In considering the question of a remedy three courses present themselves:—

(*a*) An international concert for the free use of silver as full legal tender money by all the nations represented in the Conference about to be held.

(*b*) Failing such international concert, an arrangement between the United States and India for the free coinage of silver in both countries.

(*c*) The adoption of a gold standard for India.

6. In regard to the first of these three courses, the Association has stated in its memorial that an international concert is impossible unless England adheres to it, and has urged that England should become a party to any such concert. Here I would respectfully observe that any arrangement short of an agreement for the introduction of silver as full legal tender money would be practically of no use as a remedy for the evils from which we suffer.

7. If the Conference should fail, by reason of the abstention of England, as other Conferences have failed, to have any useful effect, the question occurs whether an agreement between India and the United States could be effected. This question may, however, be dismissed without argument, for it is highly improbable that the United States would consent to enter into any agreement which would practically involve the displacement of gold by silver in that country, and the party opposed to even the present limited coinage of silver is so increasingly powerful that it is almost certain that the failure of the International Conference will be promptly followed by a repeal of the law under which the State Treasury now makes large purchases of silver. It is, moreover, very questionable, even if such an arrangement could be made, whether it would have the effect desired of ensuring stability in the exchange value of the rupee.

8. There remains only the third course, the adoption of a gold standard for India, and the memorial contains the prayer of its subscribers that the Government of India may be vested with full authority for the adoption of that course, failing the only other feasible remedy, namely, international concert.

9. As international concert would in all probability be attainable if England did not consider it opposed to her own interests, it would only be fair and just that India, in seeking a remedy, should be allowed to do so with regard exclusively to the interests of India. This view was emphatically stated by those members of the Royal Commission on Gold and Silver who considered that a change in the English currency system would be to the disadvantage of England. They wrote:—

"We think, however, that, in the consideration of "this [the proposal to establish a gold standard in "India], or any other proposal of Indian legislation for "removing the difficulties of that Government, the in-"terests of India should alone be considered. While "we cannot recommend that the mother country "should run any serious risk in altering its system of "currency to assist the dependency, we think that the "Government of the latter should be allowed a free "hand to deal with the problem as it considers best in "its own interests."—(Final Report, Part II., paragraph 133.)

The justice and fairness of this view are manifest, and, on behalf of the Association, I respectfully trust that it will be strongly impressed upon Her Majesty's Government by the Government of India.

To the Honourable the COMMONS OF GREAT BRITAIN AND IRELAND in PARLIAMENT assembled, dated 13th June 1890.

The petition of the Indian Currency Association, comprising all classes of the inhabitants of the Indian Empire,—

Humbly showeth,—that your petitioners suffer severe and increasing loss and distress in consequence of the present condition of the Indian currency system, and that some remedy is urgently required.

That the condition of the system and its results to the people of India are described in the subjoined paragraphs of this memorial:—

1. In 1835, by a law passed by the Government of India, gold was demonetised, and the silver rupee established as the monetary standard of value. From 1835 until 1872 the rupee exchanged with but slight variation for about 2*s*., and so trifling indeed was the variation that in the official accounts, for all purposes, the rupee was invariably reckoned as equivalent to 2*s*.

2. During all this period silver was freely in use for currency, and as a standard of value, by all the European nations but England; and it is undoubtedly the truth that the maintenance of the par of exchange during this period, and even during the large production of gold following the discoveries of that metal in California and Australia, was due, firstly, to the free use of silver as current full legal tender money by the European nations, and secondly, to its unrestricted coinage by them.

3. At the end of 1871 Germany demonetised silver and established a gold standard. To prevent an overwhelming influx of the demonetised German silver, France restricted the coinage of silver, and every other nation speedily adopted the same course. Many of the European nations have adopted gold as the standard of value, as Germany did; and, though some have retained silver as full legal tender, they have either greatly restricted or absolutely ceased the coinage of the metal. Those who have retained silver as the standard have no active circulation of metallic money, whether gold or silver, the currency consisting of inconvertible notes.

4. The result of this ejection of silver from use as currency is seen in the fall in the price of silver. From 60 pence per ounce the price has now fallen to between 39 and 40 pence, a decline of about 35 per cent., and the exchange value of the rupee has similarly declined from 24 pence to 15·25 pence, a fall over 36 per cent.

5. This heavy fall has been a cause of great concern to all interested in the maintenance of stability in the ratio of value between gold and silver, and the subject has been repeatedly discussed in view to the application of a remedy.

6. On every occasion the discussions have been fruitless because England declined to join in the concerted action which alone could provide a remedy.

7. An International Monetary Conference was held in 1867, with the object of increasing the number of countries comprised in the Latin Union, and establishing an international monetary system on the basis of the free coinage of both gold and silver. England refused to adhere to the Union on any terms but the abolition of the double standard and the adoption of gold as the single standard. No practical results, therefore, followed this Conferenee.

8. Another International Monetary Conference was held in 1878, on the proposal of the United States, its object being to maintain the employment of silver with that of gold as a standard. England was represented in this Conference only on the condition that she was not to be bound by its decisions, because she was determined not to permit the adoption of silver as a standard in her currency.

9. A third International Monetary Conference was convened by France and the United States in 1881 to concert measures for the full use of silver as a standard of value in conjunction with gold. England was represented at this Conference also, but declined to promise more than that Her Majesty's Government would recommend to the Bank of England that one-fifth of the reserve held against the note circulation of the Issue Department of the Bank should consist of silver. This proposal was insufficient in itself, and it was also doubtful whether the Bank would consent to carry it into effect. The Conference therefore adjourned to meet the following year, but never met again.

10. In 1876 the question was discussed, with no practical result, by a Select Committee of your Honourable House.

11. It was again further discussed in 1885 by a similar Select Committee on the Depression of Trade and Industry, and finally the question was considered by a Royal Commission in 1886. The members of that Commission were unanimously agreed that a double standard was practicable, but were equally divided as to the necessity of its adoption. They were further unanimously of opinion that, in the circumstances, the Government of India should be left free to adjust matters in the way that seemed to it best. No action was taken on their report.

12. Meanwhile the price of silver had fallen still further, and the exchange value of the rupee is at present only 15¼ pence, and it is probable that, if left to itself, it will fall further and more heavily. It has been repeatedly prophesied by eminent economists that the rupee could not fall below 20 pence, then that it could not fall below 18 pence, then that it could not fall below 16 pence. All these prophesies have been signally falsified, and, from the best information available, it is clearly useless to prophesy that there is any limit approaching its present value below which the price of silver cannot fall. There appears to be no reason, when silver is abandoned as regards its principal function,—to serve as a material for currency,—why the rupee should not fall to a shilling and still lower.

13. The consequences of this persistent depreciation of the metal which still remains the standard of value for the Indian Empire, and of the violent fluctuations which are constantly, indeed daily, occurring in the exchange value of the rupee, have been of the gravest kind.

14. The loss to the Government in paying its sterling obligations in England may be reckoned at eight hundred millions of rupees, or eighty million pounds sterling at par of exchange, since the commencement of the depression, and at the present rate of exchange the loss is upwards of eighty millions of rupees, or eight million pounds sterling at par of exchange, annually. Each fall of a penny in the exchange value of the rupee aggravates this heavy burden by the addition of more than ten millions of rupees, or one million sterling at par.

15. It is evident that the payment of sums of from eighty to one hundred millions of rupees annually, on account of exchange, is a burden which would tax the financial resources of the most flourishing country in the world. The Government must find the money, and, to find it, additional taxation must be levied of a grievous and harassing character.

16. The people of India are content to pay to the State in taxation all the money that is required for the due and orderly administration of the Empire, for its defence from foreign enemies, for the maintenance of internal peace and tranquillity, and for the progressive development of communications, public works, and the general resources of the country.

17. But the taxation of eighty millions of rupees now annually taken from the people of India is applied to none of these objects; it serves no useful purpose; and it is wrung from the people merely because the Government of India has not been permitted to regulate the currency system of the Empire with reference to the interests of the country.

18. If the currency had been so regulated, there would either have been no necessity for such heavy taxation, or, if the money had been raised, it would have been applied to the reduction of debt, the more rapid extension of railways, of irrigation works, or other permanently useful objects.

19. While all classes of the people suffer from the imposition on them of a load of taxation, the receipts from which are not applied to any useful or necessary purpose, each class suffers in its own particular way from the condition of the currency.

20. The trading community are harassed by the uncertainty and the fluctuations of exchange to such an extent that legitimate trade is often replaced by speculative and gambling transactions; the importer is at a loss how to meet his engagements when exchange falls day by day; and the exporter is no gainer, for each fall in exchange is followed by an equivalent fall in the gold price of the commodities he exports.

21. It may be said indeed that, but for the fortunate accident that the Suez Canal was opened just as the depreciation commenced, enabling Indian goods to be taken expeditiously and cheaply to Europe, and, but for the development of railway communications which has enabled goods to be taken expeditiously and cheaply to the seaports, the trade of India would have been paralysed by these fluctuations and this depreciation, and the Empire would now have been in hopeless financial disorder and embarrassment.

22. The investment of English capital in the development of the material resources of the Empire is discouraged, for, both as regards the remittance of interest and the final transfer of invested profits and economies, the continuous fall in exchange imparts to the investment of capital in this country a speculative character and a risk which the capitalist is naturally unwilling to face.

23. The credit of the State is heavily injured by the depreciation in value of the rupee securities of the Government of India held in England, and the uncertainty in the amount of interest in gold which may be obtained by their holders. English capitalists are naturally as reluctant to invest their money in these securities as they are to invest it in India.

24. To the European officers of the Government, civil and military, and to all Europeans on rupee incomes, the depreciation of the standard has brought severe distress.

25. To the European who has retired, whether from the service or from business, and whose pension or income is paid in rupees, the continued depreciation has brought the greatest hardship.

26. It may be said generally that the retention of the silver standard, while it has been rejected by the Western nations, has been productive of nothing but evil to every class of the population in India, the only persons who may have benefited from time to time being those who have speculated for the fall.

27. It is not urged that the silver standard is in itself unsuitable to India. If the silver standard were employed by other nations, its retention in India would be desirable. But it is entirely undesirable to retain the silver standard in a great empire such as this, whose annual revenues amount to nine hundred millions of rupees, while its foreign trade amounts to nearly two thousand millions of rupees, when the standard has been rejected and repudiated by most of the nations of the world. For it must be borne in mind that a considerable proportion of the revenues is raised to meet obligations incurred in England, a country with a gold standard, and much the largest part of the trade is conducted with England and other countries with a gold standard.

28. The people of India have long desired a re-establishment of the gold standard. Proposals for the introduction of that metal as the standard of value were pressed upon the Government of India as far back as 1859, and from that time onwards were repeated with persistence by the Chambers of Commerce and other public bodies for about fourteen years. Since 1873 the Government of India has repeatedly urged the acceptance of the double standard (gold and silver) by international arrangement, in view to its introduction into India.

29. None of these proposals were accepted, Her Majesty's Government having consistently declined, first to permit the introduction of a gold standard, and afterwards to aid in the international arrangements required for the effective introduction and maintenance of the double standard.

30. The result is that India is still compelled to retain as her monetary standard a metal which during the last 20 years has been rapidly and continuously losing the characters that should attach to a standard of value, and which now possesses them no longer in any degree. Indeed, silver is now hardly more fit than tin or copper to be a standard and measure of value, and it is unjust to the inhabitants of this Empire that its retention in that character should be insisted on.

Your petitioners, therefore, humbly pray that, in view of the considerations set forth above, your Honourable House will be pleased to direct the application of a remedy for their grievances by the introduction of a speedy reform in the Indian currency system.

Your petitioners represent that the introduction of the double standard can only be effected by international arrangement, but that international concert has hitherto been found impossible; that another International Conference is now about to meet; that it is of the most vital importance to the interests of the Government and people of this Empire that an agreement should be arrived at, and that therefore every effort should be used on behalf of India to secure its success. If, however, the Conference should fail, like its predecessors, to arrive at a satisfactory solution of the questions referred to it, your petitioners pray that the Government of India may be fully empowered to take such measures as may to it seem fit for the adoption of the only remaining effectual remedy, namely, a gold standard; and your petitioners, having regard to the probability that the Conference will, like its predecessors, reach no practical issue, and that the price of silver will then be still more and incalculably depressed, further pray that the grant of power to the Government of India may be made now, in view to its exercise without delay after the termination of the Conference.

And your petitioners, as in duty bound, will ever pray, &c., &c.

No. 5.

TELEGRAM from the SECRETARY OF STATE TO THE GOVERNMENT OF INDIA, July 24th 1892.

WITH the view of my being in a position to judge of your proposal respecting a gold standard, I wish for your opinion regarding the probable effect of such a change upon prices in India, and also on the trade both as regards imports and exports, on industries, on the land and the opium revenue, on the railways, on the debt contracted either in gold or in silver. Tell me also whether the claim of the officers for compensation would be affected by your proposal?

No. 6.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Simla, 2nd August 1892, No. 205.

MY LORD,

WE have the honour to acknowledge the receipt of your Lordship's telegram of 24th July, quoted in the margin,* requesting our opinion as to the probable effects of the introduction of a gold standard into India.

Any discussion of the probable effects of such a change must, from the very nature of the subject, be of a somewhat speculative character, and we would suggest for your Lordship's consideration that a more satisfactory judgment on the general question of the probable effects of a change from a silver to a gold standard can be formed by examining the actual working of the gold standard in England, France, Germany, and other countries where that standard prevails, rather than by a consideration of any theoretical arguments which we may be able to bring forward.

From the fact that Roumania has recently adopted a gold standard, and that the Austro-Hungarian Empire is making arrangements to follow the same course, we infer that the working of the gold standard has been found by experience to be not unsatisfactory in Europe; and, if we are right in this view, we see no reason to doubt that gold would prove to be equally satisfactory as a monetary standard in India. In Java also we understand that the system we propose has not been injurious to the interests of that country. Six years ago it was held by a few persons that Java had suffered by comparison with the neighbouring countries which have a silver standard, but we believe that fuller experience has demonstrated this view to be erroneous and that the change of standard has in no way arrested the development of trade and industry. Your Lordship, however, is in a position to obtain much fuller and more accurate information on these points than is at our disposal, and we will confine ourselves to stating the views which we hold on the specific questions which have been put to us in the telegram of 24th July.

2. It is generally recognised that money is required to perform four separate and important functions, according as it is employed as (1) a medium of exchange, (2) a store of value, (3) a common measure of value, and (4) a standard of value for deferred payments.

We see no reason to doubt that, as a medium of exchange, gold, supplemented by silver coins and notes, would prove thoroughly satisfactory in India, while it is well suited for the purpose of storing value, since it possesses great value in little bulk, and appears less likely to depreciate than any other metal which could be adopted as the standard.

As a common measure of value, gold would possess the inestimable advantage of giving India the same measure of value as England; the existence of a common monetary standard in England and in India would facilitate both the import and export trade, by preventing excessive fluctuations in exchange; would encourage the flow of English capital to India, and would consequently facilitate the construction of railways by private enterprise and stimulate all industries; with gold as the Indian standard, the rate of interest payable on the present silver debt of India could also be largely reduced.

3. It is only with regard to the possible results of adopting gold as the standard of value for deferred payments, that there can be any room for doubt regarding the expediency of the introduction of a gold standard into India.

On this point we have already said that your Lordship is in the best position to form a judgment. If gold has proved to be a satisfactory standard of value for deferred payments in Europe, we see no reason why it should not be equally satisfactory in India.

It is of course possible for those who hold that there has hitherto been no appreciation of gold, to argue that there might now be appreciation if India adopted a gold standard. We are not disposed to attach much force to this argument, unless it can be shown that there has already been an injurious appreciation of gold in Western countries. If the adoption of a gold standard by Germany and the United States and other countries of less importance, and the closing of the Mints of the Latin Union to the free coinage of silver, have not caused an injurious appreciation of gold, we do not apprehend that the adoption of a gold standard by India would be attended with serious results. We understand that the Austro-Hungarian Empire is preparing to adopt a gold standard, and that this example will probably be followed by other nations, and we see no reason to suppose that worse results would attend the adoption of a gold standard by India than have followed the change of standard in Germany or the United States, or than would now follow in the case of the adoption of a gold standard by Austria-Hungary or any other country of equal extent. It will be obvious to your Lordship that, if the gold standard is to be universally adopted, India will be placed at a disadvantage, if she is not allowed to make the change until every other country has supplied itself with the gold which it requires for this purpose.

4. Apprehensions have been expressed in many quarters that the introduction of a gold standard in India would involve a serious disturbance of existing contracts and financial obligations, and a dangerous derangement of the course of trade. We desire, however, to have it clearly understood that, if it were decided to adopt a gold standard in India, we should propose a rate for the transfer from silver to gold which did not greatly differ from the market ratio of the day. We are of opinion that in such case the adoption of a gold standard would not have any serious effect in lowering prices, or reducing the rate of growth of the land revenue, and that it would not materially affect either the opium revenue, or the burden of our gold or silver debt.

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* *See* No. 5.

5. Even if we assume that there has been, or may hereafter be, some appreciation of gold, your Lordship will not fail to observe that India, after substituting a gold standard for a silver one, will be in a better position to withstand the possible effects of any future appreciation than the countries which have always had a gold standard, or which have adopted a gold standard at the old ratio of 1 to 15½ or 1 to 16. In the present day we should propose a ratio for conversion probably not greatly differing from 1 to 20, and India would consequently escape the effects of any appreciation of gold which may have, wholly or partially, led to the alteration of the ratio of value from 1 to 15½ to 1 to 20. Such countries as England, Germany, France, and the United States, would have to bear the cumulative effects of both the past and the future appreciation of gold; and, if the prospect of a possible appreciation of gold does not afford sufficient reason to justify any modification of their standard, *a fortiori* such possibility of appreciation does not afford a valid excuse for preventing a change of standard in India on the conditions we have proposed.

6. In the telegram which we have quoted in the opening paragraph of this despatch, your lordship inquires how our proposal would affect the proposed claim for compensation. We understand your Lordship to refer to the remark in paragraph 4 of our despatch, No. 160, dated 21st June last, in which we stated that the distress of large numbers of officers of our European services owing to the fall in exchange, is rapidly becoming acute, and that, unless the efficiency of the services is to suffer, we may be compelled to satisfy claims involving compensation to a large amount. In reference to this matter, we desire to explain that, if the ratio at which we pass from the silver to the gold standard approximates to the ratio now prevailing, the question of compensation will stand approximately where it stands at this moment, and that in any case there could be no further fall after the gold standard was effectively established, and consequently no claim for compensation on account of future falls in the exchange value of the rupee could arise, such as we must expect if the exchange value is not fixed.

7. We take this opportunity of again calling your Lordship's special attention to the extreme gravity of the present position—a position so fraught with danger that inaction involves at least as great risk and as much responsibility as would the undertaking of an enterprise even more hazardous than the introduction of a gold standard into India.

A great fall has already taken place in the value of the rupee as compared with the pound sterling, and sudden and violent fluctuations have been far from unfrequent. Nevertheless, we have neither as yet seen the end of the fall, nor are we able to look forward to any time at which the fluctuations may be expected to cease.

On the contrary, if the approaching International Conference does not arrive at a satisfactory settlement of the question, we shall probably experience very shortly a still greater fall in value and more violent fluctuations than any that have occurred in the past. Without a change of standard, we can never hope to secure any guarantee against further falls and continual fluctuations.

It is under these circumstances that we have, after full consideration, proposed to your Lordship that, on the occurrence of a certain contingency, immediate steps should be taken to introduce a gold standard into India, and we trust that our proposals will obtain your Lordship's full support, and will be pressed on Her Majesty's Government in view to a prompt and final settlement of the question.

8. It would, we submit, be wholly unreasonable, if, in face of the calamities which we are now experiencing and of the still greater calamities which are likely to come upon us in the future, and of the fact that our difficulties must continue until England and India have the same standard of value, Her Majesty's Government were to prevent the Government of India from making an attempt to introduce a gold standard into this country on the ground of the actual or possible appreciation of gold, and were at the same time to refuse to support the proposal for a general system of double legal tender, on the ground that there had been no appreciation of gold in the past and that there was no likelihood of any such appreciation in the future. If Her Majesty's Government are not prepared to accept the proposals which we have advocated for more than ten years as the best remedy for our difficulties, we consider that they ought not now to refuse to let us adopt the only other remedy open to us, namely, the adoption of the same monetary standard as that of the country with which we have our most intimate financial and commercial relations, that standard being, as we understand, considered by Her Majesty's Government to have worked so satisfactorily in England that they are not prepared to encourage any hope of a departure from it being approved by them.

We have, &c.,
LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. H. T. CROSTHWAITE.

No. 7.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Simla, 16th August 1892, No. 217.

MY LORD,

IN continuation of our Despatch, No. 183, of the 12th July last, we have the honour to forward, for your Lordship's consideration, copy of a letter from the Government of Bombay, No. 3,083, dated the 28th July 1892, and of the memorial therein enclosed, addressed to the Commissioner in Sind by the leading Native merchants in Karachi, complaining of the injury done to their business and trade by the constant fluctuations in exchange.

We have, &c.,
LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. H. T. CROSTHWAITE.

Enclosures in No. 7.

From T. D. MACKENZIE, Esq., Chief Secretary to the Government of Bombay, Financial Department, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department, 28th July 1892.

I AM directed to forward herewith copy of a letter, No. 2,730, dated 2nd instant, from the Commissioner of Sind, together with a memorial from the leading Native merchants in Karachi, complaining of the injury done to their business and trade by constant fluctuations in exchange, for the favourable consideration of the Government of India, and for such steps as they may be able and see fit to take in order to further the object of the petitioners.

2. I am to state that the Commissioner in Sind has been informed of the transmission to the Government of India of the papers submitted by him, and of the fact that the Supreme Government has already addressed Her Majesty's Secretary of State for India in March last on the subject of the debased value of the rupee.

From H. E. M. JAMES, Esq., Acting Commissioner in Sind, to the GOVERNOR IN COUNCIL, Bombay, 2nd July, 1892.

YESTERDAY evening a deputation of six of the leading Native merchants in Karachi, representing the most influential trading communities, waited upon me with the enclosed memorial, in which they complain of the injury done to their business and trade by the constant fluctuations in exchange. Mr. Currie, the President of the Chamber of Commerce, accompanied the deputation, the spokesman of which, Mr. Yusuf Ali, presented me with the memorial. Your Lordship will observe that it bears the signatures of all the leading Native firms in Karachi.

2. I informed the deputation that I would lose no time in submitting the memorial to your Excellency, and that I was sure your Excellency would forward it in turn to the Government of India. It would be entirely superfluous in me to comment upon it, or to suggest a remedy for evils which, I am aware, have for many years engaged the serious attention of the Supreme Government. But, from what the members of the deputation personally told me, I am justified in stating that their losses have been unquestionably heavy, and that the instability of the rupee is felt by them as a serious impediment to trade. A low exchange, enabling gold to purchase a larger quantity of produce than when exchange was higher, may be a benefit to India; but, when we find the Native merchants

of a great port like Karachi coming forward spontaneously to complain of the serious damage to their own trade by the uncertain value of silver, it is proof that a remedy, if one be practicable, is needed. The testimony afforded by this memorial may, therefore, though in ever so small a way, afford an additional inducement to the Supreme Government to persevere in its efforts to obtain a fixed ratio between silver and gold.

To H. E. M. JAMES, Esq., Commissioner in Sind, 27th June 1892.

The humble Memorial of Hotchand Khushalrai, and others, Native Traders of Karachi,—

Showeth,—We Native traders of Karachi, born and bred to trade exclusively and having no other calling, are now in process of discovering that our occupation is likely to vanish altogether, unless something can be done to make the value of the money by which our trade is carried on, permanent, or at least to free it from the violent and unintelligible fluctuations to which it is now apparently always subject.

You are aware that for the last three months we have in self-defence been compelled to combine to cease purchasing European commodities in our customary way. For this reason, that the moderate profit which we look to make we have found altogether inadequate to cover the risks and losses to which we are subjected by the constant change in the value of the rupee.

When we bought Manchester grey cloth two years ago on a basis of 1*s.* 4$\frac{1}{4}$*d.* exchange, we could have no idea that a loss of about 15 per cent. by the sudden rise in exchange would be inflicted upon us by causes altogether outside the normal fluctuations of our local market, and over which we had no control; nor could we have anticipated the causes which brought ruin to us through contracts we had entered into with exporting firms for wheat and seeds when the rupee was valued at 1*s.* 8*d.* in English money. Then, as we say, the value of the rupee stood at 1*s.* 8*d.*, but when we came to carry out these contracts its value had fallen to 1*s.* 6*d.*, and we found that in consequence we had to provide more rupees with which to buy the produce to fulfil our contracts than we had agreed to take from the exporting firms.

To illustrate the risk we are subjected to, we have only to draw your attention to the fluctuations of the present month—

On the 2nd, exchange was 1*s.* 3$\frac{7}{16}$*d.*

On the 9th, exchange was 1*s.* 3$\frac{14}{16}$*d.*, giving a rise of 4$\frac{1}{2}$ per cent.

On the 16th, exchange was 1*s.* 3$\frac{11}{16}$*d.*, giving a fall of 1$\frac{3}{4}$ per cent.

On the 23rd, exchange was 1*s.* 3$\frac{7}{16}$*d.*, giving a further fall of 2$\frac{3}{4}$ per cent.

What it will be to-morrow, and whether for loss or profit to us, we cannot say.

The hardship of our position is intensified by the fact that we can in no way protect ourselves from these losses, because, while we may sell with the knowledge we have of up-country supplies to exporting firms, it is impossible for us to buy against our contracts till the produce collected in small quantities in the districts is brought to market, and it is in this interval that the constant changing in the value of the rupee turns our legitimate trading transactions from safe business to purely speculative gambling.

It is this which makes us fear that, unless some means can be found to give steadiness of value to the rupee, let it be high or low, but steady, which will enable us, as in days gone by, to calculate with some certainty the result of our transactions, an absolute destruction of our trade must sooner or later overtake us.

We therefore beg that you will be graciously pleased to make a representation to Government, urging the essential need of some steps being taken to put a stop to the intolerable uncertainty as to the value of the rupee.

And we will, as in duty bound, ever pray.

(Here follow 77 signatures.)

No. 8.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Simla, 16th August 1892, No. 228.

MY LORD,

WITH our Letter of the 12th July 1892, No. 183, we transmitted to your Lordship copy of a letter from the Honourable Mr. J. L. Mackay, C.I.E., President of the Indian Currency Association, and copy of a petition to the House of Commons adopted by the Association.

2. We now have the honour to enclose a further letter from Mr. Mackay, dated the 9th instant, informing us that the petition has already been numerously signed by all classes of the educated community, and that branches of the Association has been established in every town in India of any importance.

3. We have not considered it expedient to comply with the request made by Mr. Mackay for an indication of the views held and action proposed by the Government of India on the question of an alteration in our currency system, but we commend this letter to your Lordship's consideration. The fact that the petition of the Association has been signed by two-thirds of the members of the Bengal Chamber of Commerce shows that the importance of the question is fully appreciated by the mercantile community, and confirms the belief expressed in the 5th paragraph of our Despatch of the 21st June last, No. 160 (Confidential), "that we might "safely count on receiving every reasonable assistance "from the commercial and banking classes in the "attempt to introduce a gold standard."

We have, &c.,

LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. H. T. CROSTHWAITE.

Enclosure in No. 8.

From the Honourable JAMES L. MACKAY, C.I.E., President of the Indian Currency Association, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department, 9th August 1892.

In continuation of my letter of 24th June last, I have now the honour to inform you that branches of this Association have been formed in every town of any importance in India, and that the petition to the House of Commons, copy of which was forwarded to you with my letter above quoted, has already been signed by over eight thousand persons.

2. The petition will shortly be sent home for presentation to Parliament at the earliest opportunity, and a printed list of those who have signed the petition will be prepared for the information of the Government of India. Meantime I send for your information and inspection the signatures in original, which kindly return at your convenience. It will be observed that the petition has been signed by Natives as well as by Europeans, the occupations of the signatories comprising amongst others the following:—

Native noblemen and gentlemen.	Vakeels.
Landholders.	Manufacturers.
Zemindars.	Employés of manufacturers.
Bankers.	Shipowners.
Merchants.	Employés of shipowners.
Brokers.	Railway managers.
Tradesmen.	Railway employés.
Tea, indigo, and coffee planters.	Employés of merchants.
Barristers.	Employés of tradesmen.
Solicitors.	Officers of the Army.
Pleaders.	Government servants.

Two-thirds of the members of the Bengal Chamber of Commerce, the most important commercial body in India, have signed the petition, as also have the Trades Association unanimously.

3. Since I had the honour of addressing you on 24th June last the sterling value of the rupee has dropped from 1-3$\frac{3}{8}$ to 1-2$\frac{3}{4}$, and there is every prospect that it will still further fall.

4. The petition of the Currency Association unfortunately cannot be presented to, and considered by, Parliament probably for another three, possibly not for another five, months, and, if no action is taken until Parliament re-assembles, the condition of affairs in this country may in the interval become very serious.

5. In your letter No. 2843 A. of 8th July, you were good enough to state that my letter of 24th June, with copy of the petition of the Currency Association, had been forwarded to Her Majesty's Secretary of State for India for his consideration.

6. If a burning question of this nature had been agitating the public mind in England as the currency question has lately been agitating the public mind in India, opportunities would have arisen or would have been made, to give the public an indication of Government's view on the subject. But so far there has been no indication given of the views of the Government of India on this important question. It is believed, however, that Government cannot fail to be alive to the gravity of the situation, and in these circumstances I would venture to suggest that the feeling in India, as portrayed by the support which the petition to Parliament has received, should be communicated to the Secretary of State by wire, in the hope that he may thereby be induced to give speedy consideration to the prayer of the petition that the Government of India be empowered to take such measures as they may think fit to adopt gold instead of silver as the standard for the currency of this country.

7. I believe it will not be overstating the case to add that the present condition and prospects of the country's currency and the apparent supineness on the part of the Government in regard to it are creating grave dissatisfaction in the minds of the intelligent classes in India.

No. 9.

THE SECRETARY OF STATE to the GOVERNOR-GENERAL OF INDIA IN COUNCIL, August 25, 1892, No. 159.

Gold standard. Memorial of the Indian Currency Association.

MY LORD MARQUIS,

I HAVE considered in Council your Excellency's Letter, dated the 12th of July, No. 183, forwarding a copy of a letter from the President of the Indian Currency Association, with a memorial which that body proposes to present to the House of Commons, praying that, in the event of the forthcoming International Conference failing to arrive at a satisfactory solution of the questions to be submitted to it regarding the more extended use of silver as currency, the Government of India may be empowered to take such measures as it may see fit for the adoption of a gold standard. The memorial further begs that, in view of the probable failure of the Conference to arrive at any practical issue, such power may be now given to your Government as will admit of its exercise without delay after the termination of the Conference.

2. The currency system of India is regulated by Act XXIII. of 1870; and it is open to your Excellency's Council, when assembled for the purpose of making laws and regulations, to repeal or modify this Act, provided that the previous consent of Her Majesty's Government shall have been given to the proposed measure; so that there is no necessity for an application to Parliament on the subject.

3. It would have been interesting to me if the Indian Currency Association had expressed its views more fully on the probable results of the measure which they advocate, and more particularly as to its effect on trade and prices in India.

I have, &c.
KIMBERLEY.

No. 10.

The GOVERNMENT of INDIA to the SECRETARY OF STATE FOR INDIA, Simla, 30th August 1892, No. 230.

MY LORD,

WE have the honour to forward (in original) memorials, 42 in number, from some of our officers, named in the annexed schedule,* addressed both to your Lordship and to ourselves, representing the hardship caused to them by the fall in the exchange value of the rupee.

2. We also forward, for facility of reference, printed copies of some of the memorials which appear to be of a representative character.

3. It will be observed that the requests made by the memorialists are not in all cases identical. Some ask for compensation against past, and security against future, loss, some that their furlough allowances be adjusted at a higher rate of exchange than that fixed by Government for the year, others that they be allowed to remit a portion of their pay through Government agency at a rate similarly higher, whilst a few request that the Government of India be allowed to make such changes in its currency system as may be advisable in its interests and their own.

4. Those of the memorialists who were recruited in 1868-69 adduce in support of their arguments the fact that in a circular issued by the Civil Service Commissioners, with a view of showing the prospects of an Indian career, the rates of pay were exhibited in sterling. The majority, however, confine themselves to pointing out that it was never contemplated when they contracted to serve in India that the rupee would so seriously depreciate as to reduce their remuneration very much below what may be considered appropriate for officials of their position and attainments.

5. We fully sympathise with the memorialists in the loss caused to them by the fall in the gold value of the rupee; and we are aware that the loss has now become so heavy that great and general pressure is likely to be brought to bear on us to take some measures in the direction of compensating the servants of the Government. But we do not consider it expedient to enter into a discussion of the petitioners' requests, until we are in possession of your Lordships' views upon our Confidential Despatch, No. 160 (Financial), dated the 21st June last. The decision arrived at cannot fail to affect our treatment of the demands now put forward, our ability to grant the relief desired, and the form which that relief might take.

We have, &c.
LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. H. T. CROSTHWAITE.

FROM MAJOR C. W. RAVENSHAW, Secretary to the Chief Commissioner of Coorg, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department, No. 855/121-9, dated 15th June, 1892.

I AM directed to forward a memorial addressed to his Excellency the Viceroy and Governor-General in Council, by Mr. G. H. Forster, Deputy Conservator of Forests, Coorg, praying that he may be permitted to make remittances to England at par, or at the rate of not less than 1*s.* 9*d.* per rupee, for the maintenance of his family there.

To His Excellency the Viceroy and Governor-General in Council, 31st May 1892.

The humble petition of George Henry Forster, a Deputy Conservator of Forests in Coorg.

Humbly showeth,—That owing to the fall in the value of the rupee your humble petitioner finds it impossible to maintain his wife and family in England, where they have gone, the one to recruit her health, the other for its education, in the position they are accustomed to, and at the same time to keep up the appearances which Government expects its servants in the position of your humble petitioner to do. The cost of giving his children an education which will fit them to take a similar position in the world to that which your humble petitioner holds is becoming more than your humble petitioner can meet, and unless some kind concession is granted him he has nothing to look forward to but the bringing of his children out to India, and giving them an inferior education in a country inimical to the healthy bringing up of European children.

That your humble petitioner has insured his life for a moderate sum, in order to provide for his widow and children in the event of his predeceasing them, but that, owing to loss in exchange, it has now become a matter of a short time before he will have to abandon his life policy, owing to his inability to remit the premiums home.

That your humble petitioner married when the rupee was, it is believed, about 1*s.* 9*d.* or more, at which time he was able to incur the responsibilities attendant on marriage.

In abstract, the fall in the rupee has been so great that, unless assisted, your humble petitioner is unable to educate his children for their proper position, or make provision for them, should your humble petitioner die before they are able to support themselves—the first two duties a parent owes to his children.

* Not reprinted.

Your humble petitioner earnestly entreats his Excellency the Viceroy and Governor-General in Council to consider his case, and prays that the concession may be granted him of remitting home through Government sixty (60) per cent. of his pay at par, or at a rate not less than 1*s.* 9*d.* per rupee, on condition that the money be applied solely to the maintenance of his wife and children, education of the latter, and payment of premiums on your humble petitioner's life policy; and your humble petitioner, in order to obtain this immense boon, is willing to submit to any inquiries or conditions which the Government may consider necessary to safeguard it from abuse of the privilege.

And your humble petitioner will ever pray, &c. &c.

From W. J. CUNINGHAM, Esq., of the Indian Civil Service, to the SECRETARY TO THE GOVERNMENT OF INDIA in the Foreign Department, 22nd June 1892.

I HAVE the honour to submit the enclosed memorial to Her Majesty's Secretary of State for India, and to request that, with the permission of the Governor-General in Council, it may be forwarded for the consideration and orders of his Lordship.

To the Right Honourable VISCOUNT CROSS, G.C.B., Her Majesty's Principal Secretary of State for India, 22nd June 1892.

The petition of William John Cuningham, a member of the Indan Civil Service.

Humbly showeth,—That your petitioner is a member of the Indian Civil Service, and is suffering severe and increasing loss by reason of the present condition of the Indian currency system, as the following paragraphs show:—

1. Your petitioner entered the Indian Civil Service by open competition in 1868, and, after passing all further necessary tests, was finally admitted as a member of the said Service on the 29th August 1870.

2. The terms of advertisement published at that time by the Civil Service Commissioners, setting forth to candidates the prospects of a career in the Indian Civil Service, compared the Indian and English currency by representing ten rupees as the equivalent of one pound sterling.

3. During the time when your petitioner was preparing to compete for the Indian Civil Service, during the time between his successful competition and his final admission to the said service, and for some time subsequent to his commencement of actual service in India, your petitioner had no reason to doubt the accuracy of the description of his prospects in India, which had been placed before him by representing ten rupees as the equivalent of one pound sterling.

4. For many years, however, your petitioner has suffered by the fall in the value of the rupee, the commencement of which he believes to have been due to Germany having, at the end of the year 1871, demonetised silver, and the continuation and increased gravity of which, he believes, cannot be arrested while the present Indian currency system remains in force.

5. The prospects which your petitioner had when he entered the Indian Civil Service have been completely subverted. The value of his rupee pay is scarcely, if at all, in excess of the value of the sterling pension which your petitioner hopes soon to earn; and your petitioner believes that, if the falling rupee is not protected from further depreciation, the Government of India will be put to further and seriously increasing loss by the early retirement of the members of the Indian Civil Service, and by a consequently swollen pension list.

6. Your petitioner is unable to calculate the extent of the loss to which he has been subjected. He can, however, give an illustration of its present severity by stating that, in order to remit to London the sum of 550*l.* sterling, he has recently been obliged to pay Rs. 8,464 14 11. Comparing the present value, as disclosed by the above stated transaction, of your petitioner's pay for the purpose of remittance to England (for which purpose, as is well known, a large proportion of the pay of every European official must be appropriated) with the value which, at the time of his entering the Indian Civil Service, he had reason to expect such pay would have had, it will be apparent that he is now losing 54 per cent. on every such remittance.

7. No remedy has yet been applied to this grievous condition of your petitioner's affairs. On the contrary, your petitioner's pay has been, for some years past, taxed, and consequently still further diminished; and your petitioner believes that the necessity for such taxation arises largely, if not entirely, from the same depreciation of the value of silver which has caused him loss as aforesaid.

Your petitioner desires to represent that, if the present condition of the Indian currency and the present conditions of the pay of the Indian Civil Service should continue, the efficiency of the said service will suffer by the discontent of its members, and your petitioner cannot but fear that the service of which he is proud to be a member, is now and will continue to be exposed to the grievous temptations which must beset an underpaid public service.

Your petitioner, therefore, prays that Her Majesty's Government will take into immediate and serious consideration the means of improving the pay of the Indian Civil Service.

Your petitioner believes that it is impracticable, without giving assistance to the revenues of British India, to improve the present condition of the pay of the said service while the Indian currency system remains in its present condition, but your petitioner believes that, if the Government of India were left free to deal with the said currency system, an improvement might be effected.

And your petitioner therefore prays also that Her Majesty's Government will either give to the Government of India full authority to introduce such changes as may to them seem best in the Indian currency system, or will take such steps as to Her Majesty's Government may seem just and proper to relieve your petitioner from the grievous loss to which he is now being subjected by the depreciated value of the currency in which he receives his pay, as compared with that in which he has to incur a great part of his necessary expenditure.

And your petitioner will, as in duty bound, ever pray.

To the Right Honourable VISCOUNT CROSS, G.C.B., Secretary of State for India, 12th June 1892.

The humble memorial of Lieutenant-Colonel H. Boileau, Indian Staff Corps, Bengal,—

Most respectfully showeth,—Your humble petitioner entered Her most Gracious Majesty's Service in the British Army on the 9th September 1864, and on the 9th January 1869 entered the Indian (Bengal) Staff Corps.

At that period and for some years subsequently the value of the rupee, the current coin of India, bore a value equivalent to two shillings per rupee.

In and about the year 1871 the value of silver, and concurrently the value of the rupee, commenced to decline, and has, as is well known to your Lordship, continued to fall in value until it has now reached the low value of 1*s.* $3\frac{5}{16}$*d.*, and it may and probably will fall still further in value to a degree hitherto unprecedented and unforeseen.

It has already fallen so low as to seriously cripple your humble memorialist in all and every respect. He is unable to take furlough or sick leave to Europe; he is unable to make sufficient remittances home for the support of his family. The cost of all articles from Europe has, in consequence of this fall in the exchange value of the rupee, so increased as to seriously embarrass your humble memorialist.

Your humble memorialist feels that he need not enter more fully into the distress and inconvenience, pecuniary and otherwise, caused to him by the present state of the currency.

Your humble memorialist now ventures to submit this his humble petition for redress and remedy of the grievances set forth above. He would humbly pray that he is entitled as a loyal servant of the Crown to be paid at the rate of two shillings per rupee when on furlough in Europe, and that further he be allowed to remit not less than one moiety of his salary at par for the support of his family resident in England.

Your humble memorialist fears that it may be argued that, as he has borne the grievances complained of for so long a period without murmur or protest, he has waived any right to present his humble prayer for remedy; but he would most respectfully and humbly submit that he has remained silent hitherto in the hope that the Government whom he serves would of its own motion endeavour to apply some remedy to ameliorate the condition of its servants. He has waited, however,

in vain, and, now that the burden has become so heavy as to be borne with difficulty, he ventures humbly to submit a memorial to your Lordship in the confident hope that it will be duly and favourably considered.

Your humble memorialist will in duty bound ever pray, and remain, &c.

From Surgeon Lieutenant-Colonel J. SCULLY, Indian Medical Service, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department, 19th July 1892.

I HAVE the honour to enclose herewith a memorial to Her Majesty's Secretary of State for India, praying for certain relief in respect of the loss which I suffer through the depreciation in the gold value of the rupee. I would beg the favour of this memorial being forwarded with, if possible, a favourable recommendation from the Government of India.

To the Right Honourable HER MAJESTY'S SECRETARY OF STATE FOR INDIA IN COUNCIL, dated 19th July 1892.

The humble memorial of Surgeon Lieutenant-Colonel John Scully, of the Indian Medical Service,—

Showeth,—That your memorialist entered the above-named Service in 1872 when the gold value of the rupee was 1*s.* 1$1\frac{1}{2}$*d.*, and that since that date it has steadily decreased, until its value is now very little more than 1*s.* 3*d.* This great depreciation of the currency in which your memorialist's salary is paid has imposed serious hardships upon him and on the persons dependent on him, and there appears to be a tendency towards further depreciation in the gold value of the rupee.

That your memorialist has during about 18 years of his service borne patiently and without complaint the money loss and hardship to which he has been subjected, in the hope that the Government of India would mitigate the disastrous effects of the depreciation of the currency in the case of its own servants; but, as there appears to be no prospect of this being done, and as the position cannot longer be borne without ruinous effect to your memorialist, he is compelled to appeal for some relief.

That the furlough allowance of your memorialist when on leave in Europe is payable at the rate of exchange fixed by the Secretary of State for India, which rate for the present year is 1*s.* $4\frac{3}{4}$*d.*; that this represents a loss to your memorialist, when obliged to take leave, of about one-third of what his furlough allowance would have been if calculated at the rate which obtained when he entered the Service; and that there is no guarantee that his furlough allowance may not at any time fall below one-half of its original value in 1872.

That your memorialist has a wife, three children, and a widowed mother dependent on him; that for their support and the education of his children he is compelled to make remittances to England mainly by bank bills at present at the exchange rate of a little over 1*s.* 3*d.*, which represents a heavy loss, exceeding 37 per cent., to your memorialist on all such remittances.

That, although your memorialist is well aware that he contracted to serve his employer for a salary in rupees and a pension in sterling, he submits that he has an equitable claim to some relief in his present distress, on the ground that the depreciation in the gold value of the rupee has not affected employer and employed alike. For the common contention that the depreciation of the rupee has at least not been adverse to the financial prosperity of India appears to be borne out by the fact that the Government of this country has not taken the steps adopted by so many other Governments in Europe since 1873 to guard against the effects of the depreciation of silver.

That, in view of the facts herein set forth, your memorialist makes the following appeals:—

(1.) That his furlough allowance may be paid at a minimum rate of 1*s.* 9*d.* to the rupee;

(2.) That he may be allowed to make remittances to England through official channels out of his monthly salary, to an amount not exceeding one-half thereof, at the rate of 1*s.* 9*d.* to the rupee.

And your memorialist as in duty bound will ever pray.

From T. W. HOLDERNESS, Esq., Secretary to the Government of the North-Western Provinces and Oudh, to the SECRETARY to the GOVERNMENT OF INDIA, Home Department, 15th July 1892.

I AM directed to forward, for transmission to the Secretary of State for India, the accompanying memorial from Mr. F. W. Fox, District and Sessions Judge of Ghazipur, regarding the effect of the present rate of exchange on the value of his salary, and requesting, pending the adoption of remedial measures, to be allowed to remit 75 per cent. of his salary to England at the rate of 2*s.* to the rupee.

To the Right Honourable the SECRETARY OF STATE FOR INDIA IN COUNCIL, 16th June 1892.

The petition of F. W. Fox, District and Sessions Judge, North-Western Provinces and Oudh,—

Respectfully showeth,—Your petitioner is a member of the Bengal Civil Service, and is at present employed in the North-Western Provinces.

2. He was greatly influenced in the choice of his career by a note issued by the Civil Service Commissioners, in which the expectations of an Indian civilian were set forth in attractive terms, and the rupee was stated to be worth approximately 2*s.*

3. Since the date of your petitioner's arrival in India in 1873 the value of the rupee has steadily fallen to its present value, about 1*s.* 3*d.*, and from the best information available it seems probable it will fall below a shilling.

4. In 1886 the Government of India reduced your petitioner's pay $2\frac{1}{2}$ per cent. by an income tax. It is true that all classes were nominally taxed alike. But, as Indian tradesmen, being few in number, could and *did* combine, while officers in your petitioner's position could not, the result was your petitioner was compelled to pay far more than his proportionate share of the revenue derived from the tax, and his income was reduced at least 5 per cent., equivalent to a shilling in the pound.

5. Your petitioner after 19 years' service now holds the post of District and Sessions Judge, 3rd grade, at a salary of Rs. 1,833 per mensem.

6. According to the terms of the note mentioned in paragraph 2, this salary should be worth 183*l.* per mensem.

7. But, owing to the fall in value of the metal in which your petitioner is paid, the real value is much less, and the savings your petitioner reasonably expected to make have been reduced by some 400*l.* per annum, and your petitioner calculates that, even if exchange gets no worse, he will have lost in all nearly 5,000*l.* before he can retire on pension.

8. Your petitioner fully realises that he is but one of an entire community affected by the depreciation in silver, and he does not expect special measures to be taken for his benefit alone. Nor does he profess to say whether the introduction of a gold standard or of bimetallism would improve his prospects or not.

9. He respectfully urges that he is a member of an Imperial Service whose rates of pay were fixed by the Imperial Government, at a period when there was no reason to suppose a rupee would ever be worth less than two shillings. The duties he performs in 1892 are as difficult and responsible as the duties performed by officers of a similar grade in 1873, and, he submits, should be paid for at the same rate, irrespective of whatever system of currency may ultimately be adopted.

10. Wherefore your petitioner prays that measures may speedily be taken which will (*a*) restore the value of his salary to its implied contract value, and (*b*) render him independent of future fluctuations of exchange.

11. In the meantime, pending the result of such measures, your petitioner prays that he may be allowed to remit 75 per cent. of his salary to England at the rate of exchange which prevailed in the year 1873, when your petitioner signed his covenant.

And your petitioner will ever pray.

From J. ELIOT, Esq., Meteorological Reporter to the Government of India, to the SECRETARY TO THE GOVERNMENT of INDIA, Revenue and Agricultural Department, No. 582 S., dated 21st July 1892.

I HAVE the honour to forward the enclosed petition from Mr. Dallas, First Assistant Meteorological Re-

porter to the Government of India, respecting the allowances which he will be granted in the event of his taking early furlough, for the consideration of the Government of India.

2. Mr. Dallas explains fully and cogently the reasons on which he bases his petition that he may be allowed to draw the furlough allowances in sterling at the exchange obtaining at the time of his appointment, and it is hence unnecessary for me to do more than recommend his request for the favourable consideration of the Government of India.

From W. L. DALLAS, Esq., Assistant Meteorological Reporter to the Government of India, to the METEOROLOGICAL REPORTER to the GOVERNMENT of INDIA, No. 571 S., dated 19th July 1892.

I HAVE the honour to enclose herewith a petition addressed to His Excellency the Governor-General in Council, referring to the allowances which I would draw in the event of my taking furlough next year.

2. I have the honour to ask that you will be good enough to forward the petition to His Excellency in Council through the ordinary channels, with such recommendation as you can make on the subject.

To His Excellency the VICEROY AND GOVERNOR-GENERAL IN COUNCIL, 19th July 1892.

The memorial of W. L. Dallas, Assistant Meteorological Reporter to the Government of India, respectfully showeth,—that your petitioner has now served under the Government of India for a period of ten years, and that during next year he hopes, with the sanction of the Government, to take long leave to England. Your petitioner consequently begs respectfully to be allowed to address Your Excellency in Council on the subject of the allowances your petitioner will draw during the proposed period of furlough.

2. As a preliminary, your petitioner begs permission to summarise the circumstances under which he was appointed to the service of the Government of India. In 1881 the Government of India requested that Her Majesty's Secretary of State for India would select from the Meteorological Department of the Board of Trade, London, an official of experience, qualified to act as Scientific Assistant to the Meteorological Reporter to the Government of India, and the selection fell upon your petitioner. Your petitioner when offered the appointment studied the leave rules which would be applicable to him, and calculated that with reasonable promotion he would be able to enjoy the furlough allowed under these rules and to return from time to time to England. In this he was guided by the rate of exchange which then prevailed. In fact the decision of your petitioner to take service under the Government of India, and to resign his appointment in the Meteorological Office, London, was dictated solely by the conditions which existed at the time at which the offer was made. Your petitioner had no knowledge of the rupee anterior to the time of being offered the appointment he at present holds, but on inquiry he was told that the value of the rupee was one shilling and eightpence, and, as a sort of earnest of the rate at which he would be paid, your petitioner received duty pay in England at that rate. The instability of the rupee with regard to the English currency was never explained to your petitioner, who accepted the appointment under the reasonable belief that he was about to receive a certain number of coins of the value of one shilling and eight pence.

3. Your petitioner humbly begs to represent that under the Meteorological Deparment of the Board of Trade he received a regular sterling salary, and that he had no reason to anticipate that under the Government of India he would receive, relatively to the currency of the country of his recruitment, a steadily decreasing rate of pay, or he would never have resigned his English appointment.

4. During the whole of your petitioner's Indian career he has been posted to the very expensive stations of Calcutta and Simla, and this has wholly prevented his saving money, while now, after ten years of more responsible and continuous work than that which falls to the lot of most officers in India, when your petitioner approaches his period of furlough he finds the rupee of 25 per cent. less value than it was when he decided to accept his appointment.

5. Finally your petitioner humbly begs to represent—

(*a.*) That he did not, unemployed, come out to India and importune Your Excellency's Government for an appointment which would ordinarily be filled by a native of this country;

(*b.*) That your Excellency's Government, desirous of securing the services of an officer with particular experience, such as was not obtainable in India, sent to England for the same; and

(*c.*) That the officer selected had absolutely nothing to guide him in his decision to accept or decline the appointment, but the monetary value of the rupee as represented by its equivalent in the English currency at the time of the offer of the appointment.

Under these circumstances your petitioner humbly prays that during his furlough he may be allowed to draw allowances at the rate of 1*s.* 8*d.* per rupee, which was the rate of exchange existing at the time your petitioner agreed to serve the Government of India, and which rate was, your petitioner most respectfully maintains, a material condition in inducing him to accept employment under the Government of India.

And your petitioner, as in duty bound, will ever pray.

To the Right Honourable VISCOUNT CROSS, G.C.B., Her Majesty's Secretary of State for India in Council, 15th July, 1892.

The humble memorial of Lieutenant-Colonel Horace Richard Le Marchant Carey, Indian Staff Corps, Examiner of Public Works Accounts, Bengal, showeth that, when your memorialist landed in India with the regiment to which he then belonged (1st Battalion 6th Royal Warwickshire) in January 1868, the gold value of the rupee was two shillings. This rate was maintained until about 1871, after which time the gold value steadily decreased year by year, until at this date the rupee is worth little more than 1*s.* 3*d.*, with every prospect of further depreciation.

That, during all these years, your memorialist has borne with patience and without complaint the serious losses and hardships to which he has been subjected. The actual loss to him in rupees from the end of 1876 up to the present time, during which period he has been steadily remitting a large portion of his salary for the support and education of his family in Europe, amounts to about Rs. 23,000, or on an average about Rs. 1,500 per annum. The immediate result of this has been that your memorialist has been unable to take any furlough to Europe, either for rest or for the recruitment of his health, during his whole service in India, now nearly 25 years.

That your memorialist, under the original wording of the furlough rules of 1868, should be entitled to receive his furlough allowances at the rate of 2*s.* to the rupee. This rate was subsequently changed to the official rate for the year; consequently, as your memorialist was already in the Staff Corps when the alteration in the rate was made, and as the only furlough rules available to him now are those of 1868, he ventures most respectfully to submit that in this particular he suffers an injustice. The furlough allowance to which your memorialist is at present entitled when on leave in Europe is Rs. 625 per mensem, which at 2*s.* to the rupee would be equal to 750*l.* a year. But, as it is only payable at the rate of exchange fixed for the year by the Secretary of State for India—for the present year 1*s.* 4$\frac{3}{4}$*d.*,—if your memorialist were now compelled by serious failure of health or other urgent case to take furlough to Europe, his leave allowances would only amount to 523*l.* a year, which represents a loss to him of 227*l.* a year, and prevents any chance of your memorialist, who has no means besides his pay, taking any furlough to Europe, either for rest or for the recruitment of his health, during the remainder of his service, except under the most urgent circumstances.

That your memorialist is still compelled to make heavy remittances to England every month for the education and support of his family. He is permitted to send an aggregate amount of 200*l.* in each year at the official rate of exchange, for this year 1*s.* 4$\frac{3}{4}$*d.* as before mentioned. For the remainder of his remittances your memorialist must take the exchange rate of

the day, now but little over 1*s.* 3*d.* The effect is that to remit 200*l.* at 1*s.* 4¾*d.* he has to provide Rs. 2,865, and for every sovereign over the 200*l.* he has to provide at the present bank rate Rs. 15·12. Thus, as his remittances amount on the whole to 420*l.* a year, he has to provide—

	Rs.
200*l.* at 1*s.* 4¾*d.* =	2,865
220*l.* at 1*s.* 3¼*d.* =	3,462
	6,327

or Rs. 2,127 more than the par value, which is thus a real loss of so much per annum to your memorialist.

Your memorialist would also venture to point out that, while, as is shown by the establishment of the Civil Engineers' Provident Fund, it is evidently expected that officers in India will lay by at any rate some small portion of their pay, not only is the power to do so taken away by the additional provision which has to be made for remittances to Europe, which leaves barely enough to permit a married officer with a family in England to maintain himself, or himself and his wife if the latter be in India, in the manner due to his position, but also the inducement to lay by is largely taken away by the knowledge that at least 30 out of every 100 rupees so laid by must be thrown into the gulf of exchange.

In view of the facts above adduced, your memorialist appeals to Your Lordship to grant that his furlough allowance may be paid at the rate laid down in the original edition of the furlough rules of 1868, namely, 2*s.* to the rupee, and that he may be permitted to make remittances to England, for the support and education of his family or other relatives dependent on him, out of his monthly salary, to an amount not in excess of half thereof, at a minimum rate of 1*s.* 9*d.* to the rupee.

And your memorialist, as in duty bound, will ever pray.

[NOTE.—Similar letters were subsequently forwarded, as follows:—

September 21,	1892,	No. 255,	transmitting	121	memorials.
October 12,	"	" 285,	"	269	"
November 16,	"	" 318,	"	501	"
December 7,	"	" 327,	"	163	"
January 4,	1893,	" 6,	"	202	"
February 8,	"	" 47,	"	131	"
March 1,	"	" 85,	"	68	"
May 3,	"	" 134,	"	235	"

making a total of 1,732 memorials from officers of the Government. Representations were also received from seven of the Railway Companies as to the hardship entailed on their servants by the fall in the exchange value of the rupee.]

No. 11.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Simla, 30th August 1892, No. 231.

MY LORD,

IN continuation of our Financial Despatch, No. 228, dated the 16th August 1892, we have the honour to forward copy of correspondence with the secretary to the Indian Currency Association at Madras, on the subject of the present condition of the currency of India.

2. We also forward copy of a telegram received from the Secretary of the branch of the same association at Ootacamund.

We have, &c.
LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. H. T. CROSTHWAITE.

Enclosures in No. 11.

TELEGRAM from the SECRETARY, Indian Currency Association, Madras, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department, 17th August 1892.

AT public meeting held last night, Town Hall, the following resolution was passed *nem. con*:—That this meeting, in view of the alarming condition into which the currency of India has drifted, and fearing a grave crisis imminent, calls upon the Government of India to say at once what steps they propose to take to allay the panic feeling which exists throughout the country.

From J. F. FINLAY, Esq., Secretary to the Government of India, Finance and Commerce Department, to the HONORARY SECRETARY TO THE INDIAN CURRENCY ASSOCIATION, Madras, 25th August 1892.

I AM directed to acknowledge the receipt of your telegram of the 17th instant, embodying the following resolution passed at a public meeting held in furtherance of the objects of the association at the Town Hall, Madras, on the 16th instant:—

"That this meeting, in view of the alarming condition into which the currency of India has drifted, and fearing that a grave crisis is imminent, calls upon the Government of India to say at once what steps they dropose to take to allay the panic feeling which exists throughout the country."

2. In reply I am to state tnat the Government of India fully recognise the gravity of the situation to which attention is callen by the resolution. They have already addressed the Secretary of State on the subject, and regret that they are unable at present to communicate any further information to the public, for the reasons stated in the recent letter * to the Honourable Mr. Mackay, President of the Association, of which copy is enclosed.

TELEGRAM from the SECRETARY, Indian Currency Association, Ootacamund, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department, 21st August 1892.

AT public meeting held here Friday following resolution carried large majority:—That in opinion this meeting desirable that Government India should press on Home Government importance of obtaining by international agreement fixed ratio between gold silver, and failing establishment such fixed ratio necessary, giving Government India free hand to adopt such measures as may to it seem fit for remedying the existing evils.

No. 12.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Simla, 21st September, 1892, No. 254.

MY LORD,

IN continuation of our Financial Despatch, No. 231, dated the 30th August 1892, we have the honour to forward for your Lordship's consideration copy of a letter from the Vice-President of the Bombay Branch of the Indian Currency Association, and of the Resolution therein referred to, on the subject of the depreciation and constant fluctuation in the value of the rupee.

We have, &c.,
LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. H. T. CROSTHWAITE.

Enclosure in No. 12.

From H. A. ACWORTH, Esq., Vice-President, Bombay Branch of the Indian Currency Association, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department, 8th September 1892.

I HAVE the honour to forward copy of a Resolution passed yesterday by the Committee of the Bombay branch of the above Association, with a request that it may be laid before the Government of India.

Resolution.

"That the Vice-President (the President being in Europe) be requested to address the Government of India, informing them that the petition of the Indian Currency Association has already been signed by a large number of the leading European and Native residents of this city, representing all classes of the community, and notably by Native firms trading with England.

"2. That this Committee is persuaded that a widespread feeling exists throughout the country that the unchecked depreciation and constant fluctuation in value of the rupee have caused serious injury to India, and are likely to cause still more serious injury unless speedy steps be taken to avert the danger.

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* *Vide* Accounts and Finance Proceedings for August 1892, Nos. 899 to 901 (Confidential).

"3. That this Committee suggests that this general feeling among the intelligent classes of the Bombay Presidency may be communicated to Her Majesty's Secretary of State, with a request that the Government of India may be allowed to adopt some speedy remedy for the evil, in accordance with the recommendations made to Her Majesty by the Royal Commissioners appointed in 1886 to consider the recent changes in the relative values of the precious metals.

"4. That this Committee is strongly of opinion that present and probable future exigencies demand immediate attention, and that action cannot safely be deferred pending the results of the coming International Conference."

No. 13.

Telegram from the SECRETARY OF STATE to the VICEROY, 30th September, 1892.

A Committee, over which Lord Herschell will preside, is to be appointed, to advise upon the expediency of taking any steps for the modification of the law relating to currency in India.

No. 14.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Simla, 5th October, 1892, No. 271.

MY LORD,

IN continuation of our Despatch of the 21st September 1892, No. 254, we have the honour to transmit for your Lordship's consideration copy of a letter from the Bombay Chamber of Commerce, which we have received from the Government of Bombay, embodying a Resolution passed by the Chamber to the effect that the violent fluctuations in exchange are a serious difficulty and danger to trade and an obstacle to the material development of the country, and that in the interests of India a remedy should be sought for.

2. This Resolution indicates a change of opinion on the part of the Chamber. In 1886, when discussing the same question, they adopted the following resolution :—

"That they deprecate any interference with the currency. While admitting the inconveniences of constant fluctuations in exchange, they are of opinion, after considering the question from all sides, that the fall in exchange leaves a balance of benefit to the commerce and people of India, and are in favour of allowing things to run their natural course."

Your Lordship will find, on reference to the evidence given before the Royal Commission on gold and silver in July 1887, that the Resolution just quoted was produced before the Commission by Mr. T. Comber as an important expression of opinion from a body specially conversant with and interested in the matter (Q. 6519 *et seq.*).

3. The Bombay Chamber of Commerce represents a very important section of mercantile opinion in India, and the change in its views indicated by the Resolution which we transmit must be regarded as possessing much significance.

We have, &c.,
LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. H. T. CROSTHWAITE.

Enclosure in No. 14.

The CHAIRMAN OF THE BOMBAY CHAMBER OF COMMERCE to the SECRETARY TO GOVERNMENT, Financial Department, Bombay, 15th September 1892.

SIR,

I HAVE the honour, by direction of the Committee of the Bombay Chamber of Commerce, to communicate the following Resolution passed at a Special General Meeting of the Members of the Chamber held yesterday, and to ask that you will be good enough to forward the same to the Government of India for transmission to Her Majesty's Secretary of State for India :—

"That this Chamber considers that serious difficulty and danger to commerce have arisen from the violent fluctuations in the sterling value of the rupee,—fluctuations which do not arise from the incidents of Eastern trade, and are not such as can be foreseen by the most prudent traders. That the development of the resources of the country by the assistance of European capital is thereby seriously checked, and the execution of public works and construction of railways calculated to add to the prosperity of the country, much hampered. The Chamber therefore considers that the importance of the subject demands that it should be referred to a Committee of Experts, who should be instructed to express an opinion as to what, if any, remedy they can propose in the interests of India.

"That a copy of this Resolution be forwarded to the Government of India, for transmission to Her Majesty's Secretary of State for India."

I have, &c.,
J. L. SYMONS, Chairman.

No. 15.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Simla, 5th October 1892, No. 272.

MY LORD,

In continuation of our Despatch of the 2nd August 1892, No. 205 (Confidential), we have the honour to enclose a short paper by Mr. J. E. O'Conor, Assistant Secretary in the Department of Finance and Commerce, on the range of prices in India. The wholesale prices of imports have fallen materially, the fall on the whole approximating to, and in some cases exceeding, the fall in exchange.

2. The wholesale prices of Indian commodities have not fallen generally as imports have. Some have fallen and others have risen. Broadly, they may be divided into two great classes. Those which have risen in price are rice, wheat, linseed, and jute (raw and manufactured).

These articles may be taken to represent the following classes of goods in the export trade :—

Average value, last five years.

	Rx.
Grain and pulse	19,249,000
Seeds	10,225,000
Jute, raw	7,405,000
,, manufactured	2,421,000
	39,300,000

being about 41 per cent. of the average value of the exports of Indian goods for the last five years.

On examining the figures it will be seen that there was no rise of price in wheat, and but little in linseed, until the present year, and in both cases the rise may be regarded as caused by the temporary operation of the failure of the Russian harvests of wheat and linseed and the demand on India suddenly resulting therefrom. In rice and jute, however, it is apparent that the level of prices has been permanently raised. Both these articles are practically Indian monopolies; for, though there is competition with Indian rice, it certainly rules the European market in so far that India can supply the whole requirements of that market.

3. The articles which have fallen in price are cotton, opium (this has since risen rapidly, but the increase may be speculative and temporary), cotton yarns and cloth, indigo, tea, and hides. They have all, with the exception of opium, fallen in price in more or less the same proportion as the fall in exchange, and tea has fallen in nearly double that ratio.

The average value of these goods in the last five years has been :—

	Rx.
Cotton, raw	15,077,000
Opium	9,903,000
Cotton yarn and cloth	6,619,000
Indigo	3,598,000
Tea	5,381,000
Hides and skins	4,800,000
	45,378,000

being about 47 per cent. of the average of value of the exports of Indian merchandise in the last five years.

4. When we turn to the retail prices of food-grains we find that there has been a general rise throughout the country, which may be said to have commenced about 1886. The returns of the prices paid for atta (flour), wheat, rice, pulses, and ghi, by the Commissariat Department, confirm the fact that prices have largely risen from about that year. To some extent this

rise in the last two years is due to drought and scarcity in various regions of the Empire, and it has been intensified by the demand for export of wheat and rice.

5. We do not anticipate that a permanently lower level of prices will be established. The country is now intersected by railways through its length and breadth, and numerous steamers on the coasts also afford facilities for exchange which were absent twenty years ago. In consequence we are not likely to see prices rule as low as they did formerly in seasons of plenty, when the demand to be supplied from any particular place was purely local and ordinarily smaller than the supply available, and when therefore prices were more or less regulated by custom and tradition. In the present day there are comparatively few districts from which grain cannot easily be exported to distant tracts where the supply is smaller than the demand, or to foreign countries, and the means of intercourse have so multiplied that traders will not part with their stock locally at low prices, when they possess the knowledge that it will fetch a higher price if exported or sold elsewhere in India. Prices are therefore regulated by competition and by a greatly increased demand, and the level will remain high in the future.

6. In the case of wheat and rice, the only two grains of which the exports bear a material proportion to the local consumption, the wholesale prices will be largely determined by the gold prices in Europe and the rate of exchange for the time being. As regards the retail prices of food-grains, it is worthy of notice that there have been loud and persistent complaints, during the last three or four years, of the high range of prices of the articles of food which are in common use by the people at large.

7. Your Lordship is no doubt aware that, although there must be a connexion between the range of prices and the standard of value, it is in practice extremely difficult, if not impossible, to trace the connection. The extent to which fluctuations of price are due on the one hand to causes primarily affecting the standard of value, and on the other to such causes as the failure of crops or the apprehension of scarcity, can never be determined with accuracy. The figures we have just given confirm this conclusion.

8. Information of an unofficial character* which we have recently received regarding Java, in which country a change from the silver to the gold standard was made in the year 1875 at the ratio of 1 to 15·625, shows that little or no difficulty was encountered in substituting a gold for a silver standard, and, although a gold standard is now in force there, the currency employed is to all intents and purposes a silver currency, and that great prosperity prevails under the gold standard.

We strongly recommend that your Lordship should ask the Government of Holland for further information on this point.

We have, &c.

LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. H. T. CROSTHWAITE.

Enclosures in No. 15.

Note by Mr. J. E. O'CONOR, Assistant Secretary to the Government of India in the Department of Finance and Commerce.

LEVELS OF PRICES.

The ten Tables attached to this Note give a general and summary view of the course of wholesale prices of imports end exports, and of retail prices of food-grains, since 1861, with some exceptions where prices are not available as far back as that year.

The variations in wholesale prices in Tables Nos. I. and II. are taken from Tables Nos. 14 and 17 in the ninth issue of the Tables of Prices and Wages, annually published by this Department. There are two exceptions: the variations in the price of rice at Rangoon have been computed from a statement of prices specially obtained from the Collector of Customs, and the variations in the price of opium have been computed from the Tables in Part III. of the Finance and Revenue Accounts.

The variations in retail prices in Tables Nos. III. to IX. have been computed from Table No. 12 in the ninth issue of Prices and Wages. The stations selected for each grain represent each tract of the whole area over which the grain is largely grown and consumed.

Table No. X. is a summary of Tables Nos. III. to IX. In all the tables the years have been grouped in quinquennial periods.

In the tables of wholesale prices, the price of March 1873 has been taken to represent 100, and the figures represent in most cases the prices in January of each year; where no quotation existed for that month, the next nearest month has been taken. Opium is an exception, all the figures being averages for the year based on monthly returns. Rangoon rice is also an exception, as above mentioned.

In the tables of retail prices the average price for the year 1873 represents 100, and all the figures are averages for the year deduced from returns received and published twice a month.

Wholesale Prices.

The variations in the prices of imports and exports in Tables I. and II. are based on the price in March 1873 which was taken to represent 100.

Imports.—The articles selected represent in themselves about one-third of the total import trade, but they may really be taken to represent a great deal more, for the variations in the prices of grey shirtings not only represent the variations in the trade in unbleached, but also in bleached and coloured goods; and the variations in the prices of iron represent also the variations in the prices of hardware, machinery, and millwork, and railway material. The selected articles may probably be taken as representative of at least half of the import trade, the half in question being the portion which most nearly concerns the people at large. For the remaining half largely consists of articles which are either not primary necessities, or do not enter into general consumption except by the European population, or are consumed in such small quantities as to have no material importance in the domestic economy of the people.

It may be taken then that imports generally have fallen since 1873 in rupee price 26 per cent. in the case of cotton goods, from 36 to 43 per cent. in the case of cotton yarns, 36 per cent. in the case of iron, and 28 per cent. in the case of copper. Another article—kerosine oil—for which we have no figures before 1888, has fallen since that year by 24 per cent. in the case of American oil, and 19 per cent. in the case of Russian oil. This article is now assuming some importance in native domestic economy.

It should be noted, as regards cotton goods and yarns, that the high level of price recorded in the periods 1861 to 1865 and 1866 to 1870 was caused by the immense inflation in the price of cotton which took place during the civil war in the United States.

Exports.—In the list of exports we find that the under-mentioned articles, which are all of importance, have fallen in price:—

Cotton, raw.	Indigo.
,, yarn.	Opium.
Hides.	Tea.

Cotton cloth has remained stationary.

The course of the prices of these articles since 1887 is shown below (prices in January of each year, except for opium, for which the average of the year is taken):—

	1887.	1888.	1889.	1890.	1891.	1892.
Cotton, Broach - -	85	95	93	95	84	75
,, yarns, 20s. -	69	74	79	74	70	65
,, T-cloth - -	76	77	77	77	77	77
Hides, ccw - -	87	76	76	72	65	66
Indigo, good - - -	70	82	93	76	86	74
Opium, Bengal - -	84	85	91	83	81	89
,, Malwa - -	90	100	98	88	87	88
Tea, good Souchong -	55	50	52	50	50	41

It may be noted, as regards hides and skins, that they fluctuate in price with seasonal vicissitudes. In a bad season when prices of food grains rise high the prices of hides fall, the mortality being large or cultivators being compelled by distress to sell their cattle. In good seasons hides are scarcer and prices rise.

Three articles of minor importance—saltpetre, shellac, and raw silk—have also fallen. Shell-lac has risen in price in the present year, but it is a highly speculative

* See page 232.

trade, with great fluctuations in prices. The variations for these three articles are as follows:—

—	1861–65.	1866–70.	1871–75.	1876–80.	1881–85.	1886–90.	1891.	1892.
Saltpetre - -	104	76	91	83	82	83	80	85
Shell-lac, Middling	87	46	114	83	83	65	67	95
Silk, raw Sardah -	—	107	88	74	71	82	73	94

The articles which have risen in price are rice, wheat, linseed, jute, and gunny bags. The course of prices of these articles in the last six years is set out in the statement below:—

—	1887.	1888.	1889.	1890.	1891.	1892.
Wheat (Bombay) -	97	100	103	90	93	118
„ (Calcutta) - -	83	88	89	81	87	103
Rice (Moonghy) - -	103	110	131	144	147	162
„ (Ballam) - -	106	115	144	154	143	169
Linseed (Bombay) -	97	104	112	111	103	110
„ (Calcutta) -	101	95	112	109	97	112
Jute (picked) - -	137	153	192	197	126	236
„ (ordinary) -	118	141	203	186	115	231
Gunny bags - - -	98	125	126	118	93	132

The general rise of price of these articles in 1892 is due to special and exceptional reasons, and, except as regards rice, it cannot be said that prices show any distinct tendency to a permanent rise. Generally it may be said that, with the exception of rice (which has shown a distinct upward tendency since 1887) and jute, all the important staples of the export trade have either not increased or have fallen in price.

Retail Prices.

If we take the course of the wholesale prices at Calcutta and Bombay to fairly represent the course of the prices obtained by the producer, it seems clear that, with the exception of the rice grower and jute grower, the producer does not receive an increasing price for his goods. But, while this is the case, the consumer has certainly good reason to complain in recent years of the increasing price of food-grains. From Table No. X. it will be seen that there is a marked correspondence between the fluctuations in periods and in degree of the different food-grains. Ragi is an exception only as regards the degree of fluctuation, the rise and fall being greater than in the case of other food-grains. This grain is produced on a relatively small area confined mainly to the Nizam's territory and the northern and central parts of Madras. When the crop fails, there is no ragi to be imported from elsewhere, and the price at once flies up to a great height as in 1866 and again in 1877 and 1878. On the other hand, the consumption being as local as the production, a good harvest following a bad one sends the price down as fast as it rose. With other grains the case is different. Each of them being of fairly general consumption over large areas, when the crop of a grain fails in one place it can generally be supplemented by the importation of stocks of the same grain from other places, and thus prices do not rise or fall so rapidly, nor are the limits of the fluctuations so wide as is the case with ragi. A diagram of the prices of rice, wheat, jawar, and bajra, shows a remarkable coincidence between the periods and the degree of their fluctuations, and this is also the case, though in not quite the same degree, with gram and barley.

In all these grains we find, as the result of seasonal vicissitudes, a low level of price in the periods 1861–65, 1871–75, 1881–85; and a higher level of price in the periods intervening, namely, 1866–70, 1876–80, 1886–90, and again in 1891. The last three years, 1889, 1890, and 1891, have been years of high prices. The year 1891 was a good wheat year, but the abnormal demand in Europe caused an export of upwards of 50 per cent. more than the average in the course of a few months, and the rise of prices in Europe was reflected in Indian retail prices. There was also a large demand for rice in India, owing to scarcity, as well as in Europe and elsewhere. Prices still continue high (July 1892) for wheat and rice all over India. In Northern India the prices of jawar, bajra, gram, and barley, have fallen somewhat, but in Peninsular India the prices of jawar, bajra, and ragi, as well as of wheat and rice, continue very high.

J. E. O'CONOR.

6th September 1892.

No. I.—Variations in Wholesale Prices of Imports at Calcutta.

—	Grey Shirtings, 8¼ lbs.	Mule Twist, White, No. 40.	Mule Twist, Turkey Red, No. 40,	Copper, Braziers'.	Iron, Flat, Bolt, Bar.
1861–65 - - - - -	145	146	123	99	64
1866–70 - - - -	128	122	117	88	69
1871–75 - - - - -	93	92	104	92	89
1876–80 - - - -	79	83	83	88	67
1881–85 - - - - -	78	77	62	78	61
1886–90 - - - -	80	71	57	76	62
1891 - - - - -	74	70	56	72	62
1892 - - - -	74	64	57	72	64

No. II.—Variations in Wholesale Prices of Exports at Calcutta, Bombay, and Rangoon.

—	Cotton, Broach.	Opium.		Rice.				Wheat.		Linseed.		Jute.		Jute Gunny Bags.	Tea, good Souchong.	Cotton Yarns, 20s.	Cotton T-cloth, 44-inch, 24 yards, 8 lbs.	Indigo, good.	Hides, Cow, Slaughtered.
		Bengal.	Malwa.	Moonghy (Calcutta).	Ballam (Calcutta).	Ngatsain (Rangoon.)	Ngakyuok (Rangoon).	Calcutta.	Bombay.	Calcutta.	Bombay.	Picked.	Ordinary.						
1861–65 - - -	128	104	113	87	88	Not available		82	—	85	90	103	88	97	—	—	—	95	70
1866–70 - - -	112	100	114	111	120			101	108	107	104	110	103	103	—	—	—	102	67
1871–75 - - -	87	102	100	115	115	84	109	85	79	104	98	128	123	100	110*	—†	—‡	108	96
1876–80 - - -	86	98	116	148	154	97	113	94	108	104	103	153	144	94	94	81	83	103	96
1881–85 - - -	88	100	101	104	122	126	157	84	77	95	97	132	123	105	69	77	81	110	99
1886–90 - - -	90	87	93	124	134	122	151	83	94	104	104	163	153	110	54	74	77	86	81
1891 - - - -	84	81	87	147	143	133	164	87	93	97	103	126	115	93	50	70	77	86	65
1892 - - -	75	89	88	162	169	156	194	103	118	112	110	236	231	132	41	65	77	74	66

* Four years' average.
† No prices available before 1874. The level is based on the price of 1874=100. In 1875 the level was 81.
‡ No prices before 1874. The level is based on the price of 1874=100. In 1875 the level was 86.

No. III.—Variations in the Retail Price of Rice since 1861 (Price in 1873 = 100).

Years.	Calcutta.	Patna.	Rangpur.	Backerganj.	Raipur.	Bellary.	Madras.	Salem.	Rangoon.	Tounghoo.
1861	62	62	61	89	114	98	—	133	123	151
1862	62	50	61	97	54	101	—	135	81	171
1863	63	47	67	105	67	108	—	122	81	135
1864	80	50	71	112	121	152	—	127	92	122
1865	96	76	134	119	221	167	—	148	92	143
Average	73	57	79	104	115	125	—	133	94	144
1866	106	101	156	238	250	157	—	164	81	177
1867	72	77	117	122	156	217	—	211	102	198
1868	81	50	82	132	144	145	—	160	102	161
1869	80	86	92	136	313	114	—	152	112	151
1870	77	66	84	115	134	109	104	135	122	166
Average	83	76	106	149	199	148	104	164	104	171
1871	61	77	85	123	138	85	—	86	—	—
1872	64	79	87	93	99	88	—	91	79	100
1873	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
1874	102	111	145	171	111	95	125	119	128	117
1875	85	74	105	130	107	90	107	104	86	131
Average	82	88	104	123	111	92	111	100	98	112
1876	99	100	100	131	123	116	142	135	81	130
1877	103	97	107	170	119	183	189	242	95	173
1878	115	120	140	212	191	178	190	202	122	151
1879	116	117	170	209	173	119	147	163	127	197
1880	85	93	107	125	154	94	121	134	109	180
Average	104	105	125	169	152	138	158	175	107	166
1881	72	74	94	84	99	97	105	108	97	142
1882	76	80	94	95	93	97	101	108	92	131
1883	77	99	121	121	117	98	100	105	105	177
1884	103	125	170	151	159	98	104	115	106	219
1885	122	107	162	174	157	104	122	137	90	215
Average	90	97	128	125	125	99	106	115	98	177
1886	85	94	112	159	173	105	110	122	95	215
1887	68	78	101	133	212	95	113	115	104	232
1888	73	94	111	140	212	96	117	118	110	279
1889	90	117	155	190	245	98	119	126	110	221
1890	90	101	155	183	210	102	136	131	113	206
Average	81	97	127	161	210	99	119	122	106	231
1891	91	100	167	162	207	116	145	157	123	227

No. IV.—Variations in the Price of Wheat since 1861 (Price of 1873 = 100).

Years.	Calcutta.	Patna.	Cawnpore.	Fyzabad.	Meerut.	Delhi.	Amritsar.	Rawal-pindi.	Karachi.	Belgaum.	Ahmad-nagar.	Bombay.	Ahmad-abad.	Jabalpur.	Nagpur.	Raipur.
1861	69	69	96	61	126	129	140	64	78	74	97	92	100	79	75	88
1862	62	98	60	54	60	72	170	69	101	61	116	97	95	68	103	51
1863	56	50	58	56	61	75	128	62	103	145	138	121	156	86	136	69
1864	77	98	84	69	85	89	93	73	150	198	180	147	209	64	181	132
1865	77	94	99	92	98	129	99	68	133	166	171	137	237	99	167	192
Average	68	82	79	66	86	99	126	67	113	129	140	119	159	79	132	106
1866	99	151	118	111	86	98	98	67	131	229	171	179	172	152	241	211
1867	54	105	99	65	94	90	104	76	116	116	153	130	125	94	241	117
1868	69	52	83	87	79	91	135	146	111	61	124	114	166	132	163	117
1869	80	122	144	111	153	163	200	139	113	79	118	137	188	180	215	282
1870	80	133	107	80	129	147	168	122	150	222	206	130	183	132	164	184
Average	76	113	110	91	108	118	141	110	124	141	167	138	167	138	205	182
1871	72	67	69	62	83	87	104	103	132	128	126	114	140	86	116	88
1872	82	80	86	93	83	91	108	98	108	120	136	106	112	91	112	101
1873	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
1874	93	94	96	95	98	99	99	78	107	74	77	94	94	96	91	102
1875	72	68	71	62	91	89	97	64	120	64	103	98	82	74	86	91
Average	84	82	84	82	91	93	102	89	113	97	108	102	106	89	101	96
1876	67	63	66	59	78	77	98	57	120	85	106	100	86	74	95	79
1877	88	83	103	92	102	103	97	65	130	166	190	142	142	97	114	99
1878	97	110	120	120	135	135	142	103	164	168	242	177	175	171	167	217
1879	94	113	117	108	135	135	172	200	195	207	236	168	177	174	182	213
1880	88	80	90	84	109	109	148	169	149	136	154	130	98	118	126	166
Average	87	90	99	93	112	112	131	119	152	152	186	143	136	127	137	155
1881	75	70	81	81	99	98	119	141	118	70	112	106	85	94	105	108
1882	87	82	89	89	109	102	98	91	117	62	128	112	99	107	110	134
1883	88	83	89	86	112	100	101	74	116	67	128	113	110	99	108	180
1884	72	76	75	77	99	95	93	60	110	64	113	104	95	84	91	145
1885	75	75	74	72	91	84	92	65	108	75	113	102	84	93	94	123
Average	79	77	82	81	102	96	101	86	114	68	119	107	95	95	102	138
1886	76	76	84	81	110	100	119	88	130	71	127	112	93	120	115	159
1887	81	85	101	101	134	129	152	133	138	75	146	117	126	125	127	194
1888	89	90	102	103	135	129	144	127	133	78	140	121	130	133	128	196
1889	89	96	99	104	119	110	117	97	131	77	137	117	119	129	134	208
1890	86	93	107	106	123	116	128	98	129	71	131	111	112	123	130	196
Average	84	88	99	99	124	117	132	109	132	74	136	116	116	126	127	191
1891	98	99	114	117	145	135	168	126	143	90	143	120	122	146	147	249

No. V.—Variations in the Price of Jawar since 1861 (Price of 1873 = 100).

Years.	Cawnpore.	Fyzabad.	Meerut.	Delhi.	Amritsar.	Rawal Pindi.	Karachi.	Belgaum.	Ahmadnagar.	Bombay.	Ahmadabad.	Jabalpur.	Nagpur.	Bellary.	Salem.
1861	102	75	170	158	246	90	88	92	98	103	100	130	81	98	110
1862	71	68	72	74	144	83	92	82	156	103	143	74	116	96	110
1863	69	63	92	72	79	67	76	215	209	143	187	86	127	119	100
1864	102	91	111	87	71	67	192	201	206	172	271	144	194	203	86
1865	103	119	125	107	132	66	203	172	116	150	163	96	194	196	110
Average	89	83	114	99	134	75	130	152	157	134	173	106	142	142	103
1866	102	131	114	87	99	105	154	209	129	176	120	152	242	225	142
1867	85	73	112	88	123	75	112	91	179	170	136	100	208	264	199
1868	67	73	122	96	198	168	112	56	119	130	127	144	224	125	140
1869	140	121	219	169	237	178	118	82	190	168	226	173	188	85	123
1870	94	99	117	109	187	100	140	112	152	128	232	152	168	88	103
Average	98	99	137	109	169	125	127	110	154	154	168	144	206	157	141
1871	91	68	—	83	125	79	139	84	139	120	150	112	137	70	52
1872	74	89	126	100	148	101	114	104	155	122	110	116	118	75	50
1873	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
1874	102	115	114	105	113	96	99	82	75	88	98	125	70	83	102
1875	79	70	105	100	115	82	112	87	86	93	91	79	77	105	91
Average	89	88	111	98	120	92	113	91	111	105	110	106	100	87	79
1876	57	56	96	83	103	60	128	106	129	105	101	86	110	140	126
1877	100	97	120	108	94	85	171	188	301	182	167	114	130	304	278
1878	150	115	185	174	194	152	233	145	295	191	212	177	155	212	205
1879	107	108	143	135	208	200	161	146	291	172	193	159	184	147	145
1880	77	96	109	103	143	156	130	93	186	118	94	96	137	86	111
Average	98	94	131	121	148	131	165	136	240	154	153	126	143	178	173
1881	78	70	115	109	145	135	121	65	88	88	80	76	99	63	85
1882	78	70	101	97	107	84	117	63	106	100	116	106	100	69	82
1883	75	73	94	96	86	65	119	86	125	105	122	97	90	59	73
1884	74	84	107	110	93	51	118	89	171	113	109	97	102	78	85
1885	73	75	94	91	111	66	113	95	145	106	108	109	109	103	108
Average	76	74	102	101	108	80	118	80	127	102	107	97	100	74	87
1886	95	86	110	106	138	123	124	90	125	109	107	121	117	89	97
1887	104	135	157	156	199	153	126	78	123	110	134	133	139	85	80
1888	122	145	144	143	177	139	135	83	166	122	143	141	152	74	85
1889	94	137	115	116	139	86	146	89	193	116	136	145	146	84	88
1890	111	142	134	136	160	71	130	86	165	113	131	142	135	86	100
Average	105	129	132	131	163	114	132	85	154	114	130	136	138	84	90
1891	117	165	172	157	226	120	138	88	130	116	131	157	132	97	122

No. VI.—Variations in the Price of Bajra since 1861 (Price of 1873 = 100).

Years.	Cawnpore.	Fyzabad.	Meerut.	Delhi.	Amritsar.	Rawal Pindi.	Karachi.	Belgaum.	Ahmadnagar.	Bombay.	Ahmadabad.	Jabalpur.	Bellary.	Madras.	Salem.
1861	96	70	144	128	109	64	91	97	83	111	106	86	111	—	123
1862	59	96	69	68	101	67	97	85	129	106	98	69	107	—	115
1863	57	78	83	67	96	61	109	225	172	141	216	96	129	—	100
1864	107	127	111	84	127	70	229	231	170	197	272	91	212	—	89
1865	103	117	138	98	132	80	235	174	96	178	177	123	214	—	112
Average	84	98	109	89	113	68	152	162	130	147	174	93	155	—	108
1866	101	134	124	85	112	85	161	223	106	186	110	157	247	—	148
1867	90	98	108	87	121	102	132	95	147	152	133	123	287	—	195
1868	89	100	115	100	186	178	133	75	98	147	132	123	143	—	140
1869	145	141	248	185	225	181	157	99	156	157	205	157	96	—	120
1870	88	131	111	104	161	106	191	127	126	138	197	115	99	81	100
Average	103	121	141	112	161	130	155	124	127	156	155	135	174	81	141
1871	81	79	87	95	129	90	151	84	160	124	155	—	—	—	—
1872	90	101	117	113	124	111	129	122	166	129	115	133	125	—	71
1873	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
1874	95	117	121	109	121	83	109	76	78	84	88	113	91	118	105
1875	76	90	100	88	106	63	128	84	87	89	89	85	111	88	96
Average	88	97	105	101	116	89	123	93	118	105	109	108	85	102	93
1876	57	65	86	77	101	54	135	106	136	108	101	82	147	135	121
1877	105	82	127	98	114	66	180	196	249	152	179	117	286	221	325
1878	158	144	185	158	156	142	270	155	235	169	209	193	222	182	211
1879	117	122	145	134	146	219	243	155	229	155	183	132	167	121	149
1880	78	95	104	101	138	187	169	97	171	120	95	95	117	101	122
Average	103	102	129	114	131	134	199	142	204	141	153	124	188	152	186
1881	78	76	120	110	129	154	123	66	92	87	86	75	81	91	95
1882	77	81	110	103	116	92	121	72	108	98	123	93	93	84	99
1883	80	86	114	104	104	56	124	87	136	104	129	88	82	86	87
1884	71	78	110	101	106	48	136	94	158	111	108	91	112	88	97
1885	72	74	97	82	115	54	141	105	145	110	111	77	111	101	122
Average	76	79	110	100	114	81	129	85	128	102	111	85	96	90	100
1886	92	83	115	108	141	79	144	90	132	109	118	—	102	104	114
1887	95	100	142	134	199	149	149	79	135	117	130	—	92	95	89
1888	128	136	152	143	185	149	162	89	165	123	146	—	106	95	98
1889	98	111	126	122	174	113	166	97	186	125	130	—	117	122	104
1890	103	104	132	129	164	90	140	92	143	116	112	—	107	122	101
Average	103	107	133	127	173	116	152	89	152	118	127	—	105	107	101
1891	122	143	163	151	211	133	138	92	140	117	122	—	120	140	126

No. VII.—Variations in the Price of Ragi since 1861.
(Price of 1873 = 100.)

Years.	Bellary.	Madras.	Salem.
1861	126	—	142
1862	119	—	140
1863	146	—	122
1864	238	—	105
1865	225	—	124
Average	171	—	127
1866	279	—	171
1867	334	—	246
1868	164	—	180
1869	104	—	151
1870	106	96	120
Average	197	96	174
1871	80	—	57
1872	85	—	53
1873	*100*	*100*	*100*
1874	98	116	114
1875	122	114	110
Average	97	110	88
1876	191	160	157
1877	359	272	364
1878	274	226	251
1879	187	145	174
1880	120	119	141
Average	226	184	217
1881	97	100	101
1882	103	94	98
1883	96	99	94
1884	114	95	99
1885	127	109	118
Average	107	99	102
1886	113	104	112
1887	100	98	96
1888	94	97	97
1889	101	102	100
1890	114	109	106
Average	104	102	102
1891	134	139	141

No. VIII.—Variations in the Price of Gram since 1861 (Price of 1873 = 100).

Years.	Cawnpore.	Fyzabad.	Meerut.	Delhi.	Amritsar.	Rawalpindi.	Karachi.	Jabalpur.	Nagpur.	Raipu .
1861	107	76	170	151	150	89	67	74	63	41
1862	73	58	77	74	75	65	61	69	77	47
1863	63	55	63	75	59	69	75	86	105	65
1864	92	65	89	90	73	78	83	71	197	104
1865	109	100	105	99	94	98	114	126	137	101
Average	89	71	101	98	90	80	80	85	116	72
1866	120	127	92	99	88	131	110	178	197	249
1867	107	59	116	177	117	136	74	102	197	190
1868	73	78	97	129	150	206	97	119	148	147
1869	152	139	217	234	280	281	113	178	161	231
1870	124	102	164	148	152	204	146	153	118	249
Average	115	101	137	157	157	192	108	146	164	213
1871	—	—	—	118	116	147	103	80	104	122
1872	90	94	105	117	154	88	102	88	117	118
1873	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
1874	103	107	99	94	84	74	93	95	85	95
1875	76	66	93	90	96	72	84	66	79	83
Average	92	92	99	104	110	96	96	86	97	104
1876	62	54	77	70	71	71	89	63	75	68
1877	95	86	98	88	77	106	110	101	102	81
1878	160	153	161	160	165	211	142	194	189	234
1879	150	134	164	157	185	257	141	179	195	236
1880	102	92	126	122	148	206	113	99	121	171
Average	114	104	125	119	129	170	119	127	136	158
1881	91	80	117	116	127	154	80	70	80	146
1882	81	82	107	109	88	106	87	75	85	106
1883	75	74	101	105	81	80	86	81	90	119
1884	77	83	100	103	76	66	80	80	86	151
1885	77	77	90	83	86	75	81	79	84	165
Average	80	79	103	103	92	96	83	77	85	137
1886	76	67	92	86	97	90	83	100	101	168
1887	88	80	121	114	132	125	102	110	109	162
1888	106	97	121	116	139	132	107	110	106	200
1889	93	92	109	104	108	104	90	126	109	221
1890	105	104	129	122	125	113	96	116	110	183
Average	94	88	114	108	120	113	96	112	107	187
1891	123	114	139	131	148	134	107	122	104	172

No. IX.—Variations in the Price of Barley since 1861 (Price of 1873=100).

Years.	Patna.	Cawnpore.	Fyzabad.	Meerut.	Delhi.	Amritsar.	Rawal-pindi.	Karachi.
1861	53	97	56	145	163	118	68	75
1862	54	58	47	59	64	81	37	102
1863	44	52	51	59	63	94	49	68
1864	41	77	56	88	82	121	63	124
1865	90	95	88	92	97	116	69	151
Average	56	76	60	89	94	106	57	104
1866	130	106	102	93	89	94	72	92
1867	70	76	55	99	89	121	73	87
1868	63	72	83	83	89	185	135	85
1869	121	140	109	157	169	268	107	87
1870	80	90	85	115	114	173	113	129
Average	93	97	87	109	110	168	100	96
1871	85	70	59	83	90	106	105	136
1872	82	88	95	87	90	125	113	109
1873	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
1874	116	99	96	104	98	99	82	111
1875	74	71	61	93	90	107	79	96
Average	91	86	82	93	94	107	96	110
1876	70	54	54	80	77	101	69	108
1877	87	90	85	101	88	91	75	123
1878	133	116	121	141	136	146	105	148
1879	122	103	95	141	139	203	222	175
1880	88	81	76	108	107	150	196	133
Average	100	89	86	114	109	138	133	137
1881	64	76	69	99	97	121	131	117
1882	68	78	76	110	102	91	81	115
1883	83	77	75	100	100	97	66	119
1884	107	71	78	110	102	100	56	114
1885	92	68	71	85	76	102	55	113
Average	83	74	74	101	95	102	78	116
1886	88	74	69	93	91	108	72	120
1887	83	96	87	125	134	163	125	136
1888	103	105	100	132	135	175	132	136
1889	119	97	100	113	114	130	76	133
1890	116	110	108	135	133	141	78	123
Average	101	96	93	120	121	143	97	130
1891	110	118	113	148	141	180	103	137

No. X.—Variations in the Price of the seven Food Grains mentioned in Tables Nos. III.—IX.
(Price of 1873=100).

[*Note.*—In this Table the average has been taken of the prices at the stations mentioned in the foregoing Tables in regard to each Grain. This average may be taken to represent the general level of price of each grain in the tracts where it is most largely produced and consumed.]

Years.	Rice.	Wheat.	Jawar.	Bajra.	Ragi.	Gram.	Barley.
1861–65	103	103	122	120	149	88	80
1866–70	130	133	140	131	185	149	108
1871–75	102	95	100	102	92	98	95
1876–80	140	127	146	147	209	130	113
1881–85	116	96	96	99	103	93	90
1886–90	135	117	122	122	103	114	113
1891	149	135	138	137	138	129	131

No. 16.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Simla, 12th October 1892, No. 279.

MY LORD,

WE have the honour to acknowledge the receipt of your Lordship's Despatch No. 159 (Financial), dated 25th August 1892, on the subject of the memorial of the Indian Currency Association.

2. A copy of the Despatch was supplied to the President of the Association, and we now transmit, for your Lordship's consideration, copy of a further communication which Mr. Mackay has addressed to us.

We have, &c.

LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. H. T. CROSTHWAITE.

Enclosures in No. 16.

No. 1.

From J. L. Mackay, Esq., President, Indian Currency Association, to the Secretary to the Government of India, Finance and Commerce Department, 1st October 1892.

SIR,

I HAVE the honour to acknowledge the receipt of your No. 3998 A of 29th ultimo, enclosing a Despatch from the Secretary of State replying to my letter which accompanied copy of the petition of this Association addressed to the House of Commons, which you were good enough to transmit to the Secretary of State for his information.

2. In the third paragraph of his Lordship's Despatch a regret is expressed that the Currency Association did not state its views generally on the possible effects on trade and prices of "the measure it proposes."

3. I would respectfully point out that the petition suggests two alternative courses, either bimetallism or a gold standard for India.

4. Bimetallism has already been so amply discussed in all its bearings that it was considered unnecessary to repeat the statements of fact and theory connected therewith, as they must be familiar to his Lordship and his advisers.

5. As to the possible effect on trade and prices which would follow the introduction of a gold standard, I would venture to suggest that, if his Lordship desires to secure further expert opinion on the subject, the same may be readily obtained at home, and I would add that the various questions involved have already been largely discussed in the report of the Royal Commission of 1886. A section of that Commission expressed the opinion that the fall in prices in England was "mainly due to circumstances independent of "changes in the production of or demand for the "precious metals or the altered relation of silver to "gold," and, as Her Majesty's Government have taken no steps to introduce bimetallism, it may be concluded that they adopted this view. They can have no reason, therefore, to fear that the introduction of a gold standard into India will injuriously affect prices, as the change from silver to gold could be made at approximately the market rate of the day, and the additional demand for gold would be much less than the additional demand caused by the measures for the demonetisation of silver which began in 1873.

6. I would add that those who favour a gold standard hold that to retain as a standard of value a metal which, in its relation to gold, is constantly fluctuating and persistently depreciating, is opposed to the principles on which the theory and practice of currency are based. Even if most of our commercial relations and all our financial obligations were not with England, which has a gold standard, no good arguments can be found for the retention of the silver standard unless it can be restored to the stable position which it formerly occupied. The retention of the silver standard in India, under existing circumstances, is politically inexpedient and unjustifiable. There is no reason to believe that the change in the standard of value from silver to gold will injuriously affect trade or prices in India, any more than the change injuriously affected trade and prices in the countries of the Latin Union, in Germany, and in Java. On the contrary, if the ordinary course of prices has not been violently interfered with in those countries, where the silver coinage is retained at a ratio to gold considerably higher than that proposed for India, it seems clear that there is greater reason for holding that Indian prices will not be affected. In India rupees will remain rupees, and the producer and consumer will regulate the prices asked and paid, as hitherto, by supply and demand.

7. In a previous letter I had the honour to inform you that the petition of this Association had received 8,000 signatures, and I have to state that it has now received 16,868, more than half being those of educated natives. I take this opportunity to send you, for the information of Government and the Secretary of State, 30 copies of the proceedings of a general meeting of the Association held at Calcutta, on 25th August last, at which the following resolution was unanimously carried:—

> "That this meeting views with alarm the condition into which the currency of this country is drifting, in relation to gold, and the crisis which appears to be approaching, and it desires to place on record its opinion that the Government of India should take such steps as they may think expedient, in the general interests of the country, to arrest further depreciation, pending the result of the deliberations of the conference about to sit in Europe."

In view of the statement made by the Secretary of State that it is open to the Government of India to repeal or modify the currency system of this country without Parliamentary sanction, provided the previous sanction of Her Majesty's Government shall have been given to the proposed measure, I venture to hope that His Excellency the Viceroy in Council may, without delay, apply for the permission of Her Majesty's Government to introduce a measure which will have the affect of arresting further depreciation in the gold value of the currency of India, pending the result of the deliberations of the Conference about to sit in Europe.

8. Since writing the foregoing paragraphs, I have been informed that a Committee will be appointed in London to consider the expediency of modifying the Indian Currency Act. I trust this means that the proposal for introducing a gold standard into India will now receive a thorough examination. If so, the announcement will be received with satisfaction throughout the country, and it will tend to allay the feeling of despair which was taking possession of all classes in regard to the currency prospects of India.

No. 2.

INDIAN CURRENCY ASSOCIATION.

Public Meeting in the Town Hall, Calcutta, 25th August 1892.

Mr. Mackay, in opening the proceedings, said:—

Gentlemen,—I have to present to you the first report of the Central Committee of the Indian Currency Association. Our object in putting forward this report now is to acquaint the members of the Association throughout the country with what has been done, what is being done, and what it is intended to do, to carry out their aims.

I am sorry that it has not been possible to publish the report earlier, but you are aware that in a country like India it is difficult to get public meetings arranged and to collect signatures as quickly as at home, and to this I must ask you to attribute the delay.

Gentlemen, I will not detain you by entering upon another lengthy discussion of the currency question. Almost all that it is possible to say on the subject has already been said, and I think every argument against our views has been satisfactorily answered. But there are one or two proposals which have lately been put forward as likely to effect a better remedy than the one we propose, to which I will refer.

Burst up the Land Settlements.

One gentleman told me the other day that Government's proper course now was to break up the Permanent Settlement in Bengal, to greatly reduce the length of the settlements in other parts of the country, and, as silver falls in value, to increase the land rents. Gentlemen, that such proposals should be seriously made in a country like India serves to demonstrate the severe nature of the disease from which we are suffering.

The same gentleman said, "Look how India will "gain if the rupee falls to sixpence. She has borrowed "a hundred crores in silver, and the cheaper silver "becomes the less she has got to pay." But, gentlemen, when we consider that our revenue is raised in silver it is difficult to see where the advantage will accrue, or how the people's impoverishment will be the country's gain, and I deny the advantage of ruining the public creditor by depreciating the standard of value.

Another gentleman, who would still cling to silver, says, "Abolish pensions, or pay them, as well as furlough allowances, in rupees." In other words, gentlemen, go through the Insolvency Court, get a discharge, and start afresh!

The "Standard" and the "Economist."

Gentlemen, we have got so far that our proposals and our petition have been noticed at home. The "Standard" and the "Economist" have had articles upon us. As these papers are among the strongest supporters of the gold standard for England and other Western nations, one would naturally expect that they would give their support in advocating a gold standard for India, but it is not so. They deny to a great extent the existence of the alleged evils, they pour cold water on the idea of a gold standard for India, they expatiate on the merits and compensations of a depreciating standard, and, as I read through their articles, I expected every moment to find them advocating a silver standard for England, and urging the English people to secure without delay the unmixed blessing of a pound sterling which is worth only ten shillings! But they do not take this plunge. Silver would ruin England, but as for India that is a different thing!

Lombard Street.

Gentlemen, it is not difficult to see what is at the bottom of this inconsistency. Lombard Street fears for her gold. The gold reserve in England is extremely small; if India adopts a gold standard there will undoubtedly be demands of some importance from time to time on that reserve, and Lombard Street fears the temporary rise of the rate of discount and disturbance of the London money market that will follow. I blame no man and no class of men for advocating measures which they believe will advance their own interests, but I think the advocacy should be open and above board.

If the gold standard is good for England, France, Germany, Austro-Hungary, and the United States, why must it bring ruin to India? I have as yet seen no answer to that question which would hold water for a moment, because, gentlemen, there *is* none. If the silver standard of value is the best, let us all have silver, if gold is the best let us all have gold, if bimetallism is the best let us all be bimetallists. But don't let us follow the policy of Mr. Facing-both-ways, and declare that the gold standard means prosperity in the West and ruin in the East. Gentlemen, I will not waste my words or your time in arguing with those who deny or seek to minimise the evils from which we suffer. They are obvious to all of us who are present here to-day, and these evils are only a foretaste of what we must experience, if the Conference comes to no agreement, and the United States ceases to purchase silver. This is no time for compromise or for mincing our words, and we must force the Government of India and the Home Government to act before it is too late.

The "Economist" accuses me of holding that the Government of India can fix the gold value of the rupee by a stroke of the pen. Gentlemen, I hold no such opinion. What I do hold is that, if the free coinage of silver is stopped, the gold value of the rupee will tend to rise, and I am not ashamed of that opinion. It is within my experience that, if the supply of an article is cut off or reduced, the value of that article will tend to rise, and I have not come across any authority who teaches a different doctrine. The "Economist" dwells upon the evils of the painful process by which the rupee would be raised in value. Gentlemen, we have had experience of the nature of that painful process, and we have had experience of another painful process by which the rupee falls in value, and it is because we are tired of these rises and falls that, failing other relief, we demand a gold standard. Nobody denies that there will be a disturbance when we pass from the silver to the gold standard, but we have had half-a-dozen such disturbances already, and, if we do not secure either bimetallism or a gold standard, we shall go on experiencing these disturbances from time to time till the day of judgment. I should like the "Economist" to study the arguments that were used in the beginning of this century when England had a depreciated paper currency, and when attempts were made to prevent England from going back to a sound metallic standard. Lombard Street came to the front on that occasion as she is doing now, and declared that the Bank of England notes had not depreciated, that it was gold that had appreciated, and she induced a Committee of the House of Commons to put its name to a report which will remain a monument of folly till the end of time! The "Economist" trots out the old and exploded fallacy that the rates of interest will rise if the rupee increases in gold value. Theory and experience are both opposed to this condition. Our opponents sometimes say that they learned their political economy long ago, and are not going back to school again. Gentlemen, there is such a thing as forgetting what you have learned at school, and, when a man tells me that an increase of the value of the standard is accompanied by a rise in the rate of interest and discount, I must ask him to go back, not necessarily to the bullion reports and to the writings of Ricardo, but to some elementary treatise on political economy such as he will find in the hands of the school boys of the present day.

Natives and Europeans, officials and non-officials, combined together.

This Association is neither Anglo-Indian nor Native; it includes men of every class and of every creed who can frame an idea on the subject, and who pay their share of taxation to the State, and whose interests are affected by the conditions of the currency. For the first time perhaps in the history of the country we find Native and European, the non-official and the official, united in demanding the reform of our currency system. Some hesitate to go so far as to propound a remedy, some have doubts as to the remedies proposed, but all alike are united in denouncing the existing system and in desiring the change which we desire, however that change may be effected.

"Standard's" Proposal to effect remedy by reducing Home Charges.

The "Standard" tells us that the proposal for a reform of the currency is a nostrum, and that the real thing is the reduction of the Home charges. No doubt it would be a good thing to reduce the Home charges, but how are they to be reduced? Let us look a little into these charges. They are estimated to amount to just under 16,000,000*l.* this year. Of this sum I find that more than half (8,138,000*l.*) represents the interest on ordinary and railway debt.

Of course we could reduce that as Portugal has done, by repudiating, but you may be sure that Lombard Street would object! The next item in the charges is over 4½ millions (4,594,500*l.*) on account of the Army, and 229,000*l.* for special defence works, altogether over 4,800,000*l.* If we felt inclined to reduce the Army charge, England would not allow it. Here we have in these items 13,000,000*l.* out of the estimated 16,000,000*l.* There remain then 3,000,000*l.* Of this sum 2,000,000*l.* represents leave allowances and pensions.

Native instead of European Administration.

It is clear that these cannot be reduced, except by a radical change in the personnel of the administration, namely, the substitution of Native for European officials. If that is a thing desirable in itself let the change be effected by all means, but at least twenty years must pass before any appreciable impression is made on that 2,000,000*l.*, and after twenty years we might possibly save half the two millions annually. Of the million remaining, more than half is absorbed in salaries and expenses in England which it will be difficult to touch. We may often wish that we had no India Office, and could manage our own affairs, but while we have one it must be paid for, and I don't think you are likely to get the Secretary of State himself or any of his establishment to accept 1*s.* 2½*d.*, or less, instead of two shillings.

Apathy in England.

Such articles as we have had in the "Economist" and "Standard" illustrate in a remarkable degree the

apparent apathy with which our struggles and sufferings are regarded in England. We must fight this matter out for ourselves, and we must insist on the Government of India taking action before it is too late.

Opposition to the Movement done good.

Gentlemen, it has been a fortunate thing for our movement that it has not had universal support, because had such been the case the Currency question would have attracted less attention than it is doing to-day. I don't say we have had any really serious opposition, but we have had enough to keep us alive. We have seen a good deal written, and have heard a good deal said, of the difficulties and dangers which will surround a gold standard for India. Gentlemen, none of us deny that there may be trouble, and that it may take some time after the transfer from silver to gold is effected till things adjust themselves, but, putting aside universal bimetallism or an agreement between India and America in regard to silver, neither of which is likely to come about, will those who condemn the proposed gold standard propound a better scheme? If so, let them bring it forward as we have brought forward ours. They have given us a sample of their destructive criticism, let them now show us something of their constructive ability.

Gentlemen, I think you will agree with me that an honest desire to arrive at a solution of our difficulties has been manifested throughout the discussion to which our proposals have led. We could not expect that a proposal to change India's standard of value from silver to gold would be universally accepted without demur or without some expression of misgiving. To begin with, there are without doubt a number of people who have done very well for themselves in this country, despite the fluctuating standard of value, and there are others who more or less live by the fluctuations in silver. There are also a number of people engaged in enterprises which have probably gained to some extent by the depreciation of silver, and who, while admitting that a day of reckoning must come, would be prepared to see it postponed a little longer. But, while those of us who are engaged in jute and cotton manufacturing, in tea planting, and other like industries, may see advantages in still being able to pay our labour in the depreciated white metal, we feel that there must be a limit to the gullibility of the coolie, and that the impossibility of filling his stomach with his wages must eventually lead to a readjustment. From a purely selfish standpoint, therefore, we think the time has come when the depreciation of our currency should be arrested, and, as this is impossible while we retain a silver basis, we are determined, failing an international agreement to rehabilitate silver, to seek the standard of every other civilised country, namely, gold.

Support of the Movement.

Gentlemen, the petition was signed by more non-officials than officials, and by more Natives than Europeans. A large number of the Madras mercantile community signed the petition, fifty-eight Members of the Calcutta Chamber signed it, besides four partners in other firms which are members of the Chamber, as well as the representatives of three Companies which are members of the Chamber, thus making a total of 65, out of 102, or as nearly as possible two-thirds. The petition was also signed by members of the mercantile community in Calcutta who are not members of the Chamber of Commerce.

In Rangoon almost all the merchants signed, but in Bombay very few. All over the country the tradespeople signed the petition. I must say I was hopeful that all the mercantile firms and Banks in Calcutta without exception would have supported you, and I must admit I have been a little disappointed. Some of those who did not sign told us that they sympathised with the movement, but desired, for reasons which we are bound to respect, to remain entirely neutral, while others had referred the matter to their home friends.

But there are also a few members of the mercantile community here, very important members too, who strongly oppose your views, and who honestly think so badly of your proposals that they will lose no opportunity to discredit and thwart you. Your fight, therefore, is not over, although your petition has gone home, for even yet you may see attempts made to injure your movement, and you may even find people trying to induce you to withdraw from the Association. I need scarcely ask you, however, to strenuously resist the wiles of the charmer, and to show your determination to stand fast.

Gloomy Financial Outlook.

Gentlemen, no good end would be served by drawing a portentous picture of a probable financial panic, but, knowing what we do, I think you will agree with me when I say that it is the duty of the Government to institute inquiries for themselves, with a view to ascertaining what is likely to result in business circles in the East from their allowing our currency to continue to depreciate. I think you will also agree with me when I say that the public will hold the Government responsible for the consequences of their apparent inaction.

Imperial Federation.

We have heard a good deal in recent years of Imperial Federation, of a cementing together of the different parts of the British Empire. We have even seen a magnificent monument erected in London, the Imperial Institute, as evidence that England is the centre of the United British Empire. Gentlemen, if this federation is to be anything more than a mere hollow mockery, it is essential that the Empire should be bound together by a common standard of value.

The "Times."

Some time ago Reuter rather misled us by his telegrams as to the views of the "Times" on this currency question. When the papers reached India we found it was not the "Times," but a retired Indian official writing in the "Times," who had advocated impracticable remedies. Now, however, the great Thunderer himself has spoken, and spoken very much to the point. The "Times" declares that, as bimetallism will not suit England, the only complete remedy for your currency troubles is the adoption of a gold standard. The Indian Press is unanimously with you, and, now that the "Times," after having heard your case, has had the courage and the fairness, in the very nest of the gold bugs, to pronounce for your proposals, you may reasonably expect to see them carried through.

I now beg to propose the following resolution:—
"That the report of the Central Committee, dated 25th "August 1892, be adopted, and that the Committee be "authorised to give effect to their proposals."

His Highness the Maharaja of Bettiah had much pleasure in seconding the resolution, which was put to the vote and carried unanimously.

Mr. J. A. Anderson, in proposing the next resolution, said:—

Mr. Mackay has called your attention to the fact that certain of our oldest and most respected mercantile firms are standing aloof from the currency movement; indeed, some few are in active opposition, affirming that the industries with which they are connected were never more flourishing, and that the lower exchange goes the better they like it. Well, then, gentlemen, if nothing is done, and we are allowed to drift, after America has ceased her purchases of silver, we will have to face a deficit on the Home charges which may amount to 25 crores, and it is only reasonable that those who profit by the depreciated rupee should step into the breach and relieve us of this incubus. If tea and jute mills and cotton mills are flourishing on what is a general misfortune to the rest of the community, then let them bear their share of the burden. Why does not the pamphlet writer on the currency question who advocates allowing things to take their course come forward to assist Government in assessing the various industries that profit by the depreciation of our currency? This would be a sensible course, but to advocate a policy that must bring about a huge deficit, without showing how that deficit is to be met, would not even commend itself to a financier of the Micawber type.

If, gentlemen, the machinations of those who oppose us, added to the obstructive influence of Lombard Street, shall for a time nonplus all our efforts, we must make a resolute stand as regards how this fresh enormous taxation is to be met, and stoutly resist any attempt to foist it on to the poor in the shape of increased salt tax or renewal of the duties on Manchester goods. We must see that the saddle is put on the right horse. If necessary, gentlemen, we will hold another public meeting, and it will not be to petition anybody, but to insist that our Government shall place the increased taxation on the proper shoulders. That meet-

ing will not be in the Town Hall, because the Town Hall won't hold the masses that will crowd to it. We shall then have not only the educated Natives with us as now, but also the entire Native population at our backs. Though the latter have been unable to follow the jumble that has been placed before them in the shape of discussions about the exchange question, they are quite able to understand when increased taxation is the subject matter.

The Indian Currency Association has so far brought forward the only scheme by which the Government can be carried on with "honest money," and, until our opponents draw up a budget showing how the deficit is to be met when America ceases to buy silver, their ideas are not worthy of consideration.

We are now paying the penalty of our callous neglect of our poorer brethren. We have seen rice steadily rise as the rupee fell in value, till it is now in a good season quite 100 per cent. over what was its ordinary price 20 years ago. In the cheaper classes of food used by the very poorest classes we have seen rates go up from 8 annas to 10 annas per maund to Rs. 2, and all this without any equivalent increase in wages. Tea gardens and mills may think they have grown fat upon it, and their proprietors may have chuckled over the reduction in wages which the depreciated rupee gave them without a strike, indeed, without the unfortunate sufferers knowing the cause, but the deficit has grown too big to be paid for by the poor, so at length our Government tardily hints that it has now awakened to the necessity of doing something.

The fight in which we have engaged has had for its object the giving to this country a currency basis the same as is enjoyed by other civilised nations. We advocated a money that we could either give to or receive back from the rest of the world. We demanded "honest money," and "honest money" we shall get, in spite of all opposition. In furtherance of this I have much pleasure in proposing the second resolution, viz.:—

"That this Meeting views with alarm the condition into which the currency of this country is drifting in relation to gold, and the crisis which appears to be approaching, and it desires to place on record its opinion that the Government of India shall take steps as they may think expedient in the general interests of the country to arrest further depreciation, pending the result of the deliberations of the Conference about to sit in Europe."

Baboo Jodoo Lall Mullick had much pleasure in seconding this resolution. He had heard with great concern what fell from the lips of the President, and did not think it would be well for either the Europeans or the Natives of this country to stand quiet when there was such imminent danger staring them in the face. He would just say a few words from a native standpoint. (Hear, hear.) As to the other side, they were well represented by those who were members of the Currency Association. As far as he could see, the real ground of opposition among the merchants was this. There was a great question of self-interest underlying the whole thing. It had been said that the Natives of this country were supremely indifferent about this question, but the speaker emphatically denied this. The thinking part of the Native community had for some time given this matter their serious consideration. These saw clearly and were well aware, if there was a large deficit which had to be met, the bulk of it would be met by the people of this country. There was a very large proportion of his fellow-countrymen who were dumb and voiceless, but would they continue so when they came to pay more to meet this deficit? The Europeans who came to this country were strong enough to resist any undue attempts on the part of the Government to tax them disproportionately. It was true that they tolerated the present Income Tax, but this was because the question of the frontier defence had reconciled them to it. Of course, the Government of India, as far as he could understand, were very anxious to come to some correct solution of the problem, but there was some difficulty in their way. The Government of this country were unable to get sympathy from the Government at home, and for obvious reasons. That being the case, the Natives of this country should, in the speaker's humble opinion, in every possible way support this Association, in order to arrive at a speedy adjustment of the currency question. (Applause.) He thought it was incumbent upon every section of the Native community to be members of this Association, and to force the Government, both here and in England, to come to an early adjustment of this vexed question.

A Welcome to Criticism.

Mr. W. J. M. McCaw said:—

Gentlemen, the resolution which falls to my lot to propose is a very pleasing one; it is "that a vote of "thanks be given to the Hon. Mr. Mackay for presiding "on this occasion." I feel assured that this will commend itself at once to the approbation of the meeting without any words of mine of a laudatory nature; but my personal feelings will not permit me to put the resolution forward without an expression of the deep sense of gratitude which, I think, we all owe to our friend Mr. Mackay, for the unwearied application, the exhaustive research, and the valuable gift of his by no means free time, which he has conferred during the past two or three months, for the furtherance of the object which we all have so much at heart. I am only stating what is very generally recognised when I say that it is probable that this currency question, which has for so long past slumbered in its quiescent stage of academic discussion, would in all likelihood have continued to do so had it not been taken in hand by such an active-minded and energetic man as Mr. Mackay; and, should the outcome of the present agitation be the stiring up of the Home Government and the Government of India to an attentive and reasonable consideration of the disabilities under which the country is labouring, our thanks will be due in the main to our worthy President for having brought this about.

I need only point, gentlemen, to his speech at the inauguration meeting of this Association at Simla, to his still more detailed and elaborate discussion of all the varied elements in this very complex problem in his address delivered in this hall only a few weeks ago, and to the multiplicity of correspondence which has appeared above his signature in the columns of the daily press ever since that meeting was held, to bring at once prominently before you the laborious task which he has undertaken, and the unflinching manner in which he has carried it to its present satisfactory stage.

It was with feelings of regret, which I am sure you will all share, that I was made aware a day or two ago, that excessive work had told upon his physical strength, and that he is obliged to take a short period of rest from his arduous duties. I can only express a sincere hope that he will be able to return to us ere long with his loins well girded to aid us with his counsel and advice and to again take the lead in this movement, which only requires proper direction and watchful care, to make it appeal to the whole of the educated population of India, in such a forcible manner as to make the demand for an alteration in the currency laws of this country so irresistible that no Government can withstand it. Since our last meeting here our Association and its object have been subjected to some very severe criticism in the columns of the leading London journals.

Now I welcome this criticism most warmly. Some of the opponents of this Association (though why the majority of them style themselves opponents I have never yet, from their talk or writings, been able to discover) express themselves jubilantly over the recent article in the London "Economist." I must say that I myself was rather pleased than otherwise after having read that article, for it was to be expected that the "Economist" would take up a strong antagonistic position with regard to the proposed settlement of this question, and, if the arguments put forward by that paper are the most powerful that can be used, I think there is a great hope for us yet.

The main object of this Association is to call attention first of all to the grave nature of the present condition of affairs, and, secondly, to try to devise some means by which the situation will be improved, and which will prevent a recurrence of the evils which we have all so much cause to dread. This can only be done by the fullest and freeest discussion and ventilation, and it is for this reason that I welcome the interest which is being taken by the well-recognised and widely-read organs of public opinion at home on this subject. I have confidence in the strength of our case, and the more clearly it is understood the more certain will we be of getting justice done. What the exact nature of the best remedy for the present disease may be is quite a matter for open discussion; we grant this freely in our memorial to Parliament; but that some remedy is required, admits of no doubt, and the

remedy which we have put forward has yet to be proved to be unworkable, and has yet to be supplanted by a better. I have great pleasure, gentlemen, in proprosing a vote of thanks to Mr. Mackay. (Cheers.)

Mr. David Lyall, C.S.I., said he had much pleasure in seconding the vote of thanks which had been proposed by Mr. McCaw. In fact it was a vote of thanks to Mr. Mackay for presiding that evening, but in reality Mr. Lyall thought that all agreed it was a vote of thanks for all the trouble Mr. Mackay had taken, and for all he had done for this Association, from the beginning to the end. (Cheers.) He thought they were all bound to show their sense of gratitude for favours to come, and for what they all hoped he would do in the future for them.

Mr. Mackay said:—

Gentlemen, I am very much obliged to you for your vote of thanks. In acknowledging it I would just like to say that, if any of those persons who think that our petition was too strongly worded, and who refused in consequence to sign it, will draw up a milder document to suit their views, so long as it urges upon the powers that be the necessity for the adoption of a stable standard for our currency, I shall be happy to place my services at their disposal, and will undertake to help them. I think I can safely offer them the benefit of our widespread organisation, and I think I may also promise that they will receive not only your support, but the support of the Indian Currency Association throughout the length and breadth of India.

In acknowledging the vote of thanks which you have been good enough to accord to me, I, on my part, would take this opportunity to thank the Members of the Central Committee in Calcutta and the chairmen and members of all the branch Committees for the great amount of trouble they have taken to ensure the success of this movement. My thanks are also due to all the eleven thousand members of the Association. Every one has worked with a will in the common cause, and no one has grudged either time or trouble. When we secure a stable standard of value for India we shall have our reward.

This closed the proceedings.

Report of the Central Committee, dated Calcutta, 25th August 1892.

Central Committee.

Honourable Sir Comer Petheram, Kt., Q.C.
Honourable Sir Griffiths Evans, K.C.I.E.
Honourable J. T. Woodroffe, Barrister-at-Law.
Mr. J. A. Anderson, of Messrs. Anderson, Wright, & Co.
Mr. W. J. M. McCaw, of Messrs. Kettlewell, Bullen, & Co.
Honourable Mr. Wallis, of Messrs. Manton & Co.
Mr. D. J. Zemin, of Lewis Stewart & Co.
Mr. A. C. Marshall, Agent, Chartered Bank of India, Australia, and China.
Mr. J. H. Apjohn, M.A., Vice-Chairman, Port Commissioners.
Maharaja Sir Jotendra Mohun Tagore, Bahadoor, K.C.S.I.
Maharaja Sir Narendra Khrishna Bahadoor, K.C.I.E.
Honourable J. Lambert, C.I.E., Commissioner of Police.
Mr. A. G. Apcar, of Messrs. Apcar & Co.
Mr. J. C. Orr, Solicitor.
Mr. W. K. Eddis, Solicitor.
Mr. S. Finney, Manager, Eastern Bengal State Railway.
Mr. C. Deas, of Messrs. Burn & Co.
Honourable Syed Ameer Hossein, C.I.E.
Mr. T. W. Anderson, of Messrs. Macknight, Anderson, & Co.
Honourable Kolly Nath Mitter, Solicitor.
Baboo Jodoo Lall Mullick.
Baboo Romanath Ghose.
Nawab Abdool Luteef Khan Bahadoor, C.I.E.
Prince Mahommed Bukhtyar Shah.
Dr. Trailokya Nath Mitter, Pleader, High Court.
Mr. G. Irving, of Messrs. T. E. Thompson & Co.
Mr. J. G. Ritchie, Chairman, Corporation of Calcutta.
Prince Jahan Kader Mirza.
Mr. S. P. V. Luke, C.I.E., Director of Construction, Telegraph Department.
Mr. S. Keith Douglas, of Messrs. Carlisles, Nephews, & Co.
Mr. W. T. Spink, of Messrs. Thacker, Spink, & Co.
Mr. J. G. Womack, of Messrs. Harman & Co.
Honourable Dr. Mahendra Lall Sircar, C.I.E.
Kumar Benoya Krishna Bahadoor.
Baboo Shewbux Bugla, Merchant.
Mr. Reginald Murray, Agent, Chartered Mercantile Bank of India, London, and China.
Mr. R. D. Mehta, of Messrs. D. B. Mehta & Co.
Baboo Setanath Roy, Solicitor.
His Highness the Maharajah of Bettiah, K.C.I.E.
Honourable Prince Furrokh Shah.
Rajah Sir Sourindra Mohun Tagore, Bahadoor, K.C.I.E.
Nawab Mir Mahommed Ali.
Mr. C. H. Tawney, C.I.E., Director of Public Instruction.
Mr. J. S. Slater, B.A., C.E., Principal, Civil Engineering College, Seebpore.
Mr. O. Schmidt, of Messrs. Ernsthausen & Co.
Mr. Geo. Lyell, of Messrs. Macneill & Co.
Mr. J. B. Ferry, of Messrs. Ullman, Hirschhorn, & Co.
Mr. F. Mathewson, Superintendent of P. & O. Steam Navigation Company.
Mr. H. M. Ross, of Messrs. Ernsthausen & Co.
Mr. K. Euler, of Messrs. F. W. Heilgers & Co.

Branches of the Association have now been formed at the following places:—

Agra.	Julpaigori.
Aligarh.	Kurrachee.
Allahabad.	Kasauli.
Amritsar.	Kohat.
Amrooti.	Kolar (Mysore).
Amgoori.	Lahore.
Bangalore.	Lucknow.
Bankipore.	Madras.
Bara.	Mandalay.
Bareilly.	Meerut.
Benares.	Mirzapore.
Bombay.	Moulmein.
Calicut.	Moulvie Bazar.
Cawnpore.	Mozufferpore.
Chittagong.	Murree.
Cochin.	Mussoorie.
Dacca.	Naini Tal.
Dalhousie.	Nagpore.
Darjeeling.	Negapatam.
Dehra Dun.	Nowgong.
Dharwar.	Ootacamund.
Dibrugarh.	Pegu.
Dinapore.	Peshawar.
Dum Dum.	Poona.
Dungagali.	Rajahmundry.
Ghazipur.	Rangoon
Gonda (Oudh).	Rawal Pindi.
Goruckpore.	Secunderabad.
Gurdaspore.	Shillong.
Gya.	Sibsagor.
Hoshungabad.	Simla.
Hoshiarpore.	Tellicherry.
Hydrabad.	Trichinopoly.
Jhansi.	Travancore.
Jubbulpore.	

Numerous public meetings have been held throughout the country, and the petition to the House of Commons, praying that the Government of India may be empowered to take such measures as may seem to it fit to adopt gold instead of silver as the standard for the currency of this country, has been signed by upwards of 11,778 persons, of whom 5,289 are Europeans and 6,489 are natives. The signatures embrace all sections of the community, all races, all creeds, the following being a rough analysis of the signatures:—

Native princes, noblemen, and gentlemen	56
Government servants	2,523
Zemindars	153
Planters	216
Merchants	861
Bankers	406
Brokers	145
Tradesmen	1,268
Solicitors	33
Pleaders	127
Vakils	26
Barristers	97
Bank agents	32
Medical men	218
Engineers	119
Railway managers	12
Railway employees	441
Officers of the army	883
Manufacturers	32
Employees of manufacturers	252
Shipowners	5
Employees of shipowners	208
Employees of merchants	338
Employees of tradesmen	198
Others	3,129
Total	11,778

The Committee have already forwarded the petition along with a large number of signatures to England, so that it may be ready for presentation to Parliament as soon as the House of Commons re-assembles. Additional signatures received after despatch of the petition will be sent forward separately.

The Committee also propose to send a copy of the petition, with a copy of this report and a copy of the proceedings of the General Meeting to be held on 25th August 1892, to each member of both Houses of Parliament and to the Chambers of Commerce in Britain.

They also propose to send thirty copies of the petition to the Government of India, with a respectful request that a number of copies may be sent to the Secretary of State for India, together with a number of copies of this report and copies of the report of the proceedings of the General Meeting to be held on 25th August 1892.

The Committee also propose to supply to the various branches of the Association as many copies as may be required of the following papers :—

Copies of this report.

Copies of the proceedings of the General Meeting of the Association to be held on 25th August 1892.

The work of the Association in Calcutta will now be carried on by a small Sub-Committee of the General Central Committee, and Mr. H. M. Ross, of Messrs. Ernsthausen & Co., No. 7, London Street, has kindly consented to become Honorary Secretary, and to him all communications should, in future, be addressed.

JAS. L. MACKAY,
President.

No. 17.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Simla, 12th October 1892, No. 284.

MY LORD,

IN continuation of our Despatch, No. 261 (Confidential), dated the 28th September 1892, we have the honour to forward copy of a letter from the Chief Commissioner, Burma, No. 509/1 M. 27, dated the 24th September 1892, representing the hardship caused to officers in Burma by the fall in the exchange value of the rupee, and suggesting the introduction of regulations permitting European officers to remit a certain fixed portion of their pay to Europe at par, and to draw their furlough allowances at a fixed rate of exchange considerably above the present market rate.

We have, &c.,
LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. H. T. CROSTHWAITE.

Enclosure in No. 17.

From C. G. BAYNE, Esq., Secretary to the Chief Commissioner, Burma, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department, No. 509/1, M. 27, dated 24th September 1892.

I AM directed to address the Government of India on the subject of the memorials which are now being submitted by Government officers in Burma, praying for some alleviation of the hardships suffered by them in consequence of the fall in exchange.

2. It is unnecessary for the Chief Commissioner to enlarge on the hardships which Government servants in Burma, as elsewhere, suffer in consequence of the fall in exchange. These hardships are peculiarly severe in Burma, because, as is well known, the cost of living is much higher for Europeans in this province than in India. This fact has been recognised in the case of Public Works, Forest, and Survey officers by the grant of local allowances, but in the case of officers of the Commission, Police, and other local services, no local allowances are granted, except to officers serving in a few especially expensive localities.

3. The Officiating Chief Commissioner thinks it necessary to represent to the Government of India that the great diminution in their incomes which Government officers now suffer must tend to have a prejudicial effect on the efficiency of men already in Government employ, and may in all probability lead to the recruitment hereafter of a stamp of men inferior in general efficiency to those now filling public offices in Burma. Efficient service is not likely to be rendered by men who are discontented with their position, and who are involved in debt, or are struggling to keep clear of debt. There is also a danger that future recruits for Government service will not be men of the same stamp as the present officers, most of whom entered Government service before there was any reason to suppose that the value of the rupee would fall to its present level. In view of the peculiar conditions of Burma, it is perhaps even more necessary that a high level of efficiency should be maintained in the European services than it is in other provinces. The greater part of the country was added to British India less than seven years ago, and the province has passed through a stage of disorder and disaffection which it has taxed the energies of the administration severely to repress; constant watchfulness is necessary to prevent a recurrence of this state of things, and consequently for many years to come Europeans must form the backbone of the administration, and it is of vital importance that a high standard of probity and efficiency should be maintained among them. It appears to Mr. Fryer to be doubtful whether the desired standard will be maintained, unless the position of officers is improved. Salaries were fixed for the most part at a time when the rupee was worth almost two shillings, and were certainly not fixed at too high a rate when account is taken of the unhealthiness of, and the expense of living in, Burma. The sterling value of the rupee having fallen nearly 50 per cent., salaries which when fixed were no more than sufficient are quite insufficient for Europeans of the class who have hitherto entered the Commission, Police, Forest Department, and other local services. It follows that it will be difficult to secure men of this class in future, unless salaries are raised, or unless some other remedy is applied. The hardships occasioned by the fall of the exchange have hitherto been in some degree mitigated by the exceptionally rapid promotion enjoyed by all the principal departments of the public service except the Public Works Department. The rate of promotion is, however, not now so rapid as it was, and promotion will tend to become slower every year, as the senior officers of the different services are, many of them, comparatively young men.

4. In conclusion, I am to say that, in the Officiating Chief Commissioner's opinion, the most suitable remedy for the present state of affairs is the introduction of regulations permitting officers of European services to remit a certain fixed portion of their pay to Europe at par, and allowing them to draw their furlough allowances at a fixed rate of exchange considerably above the present market rate.

No. 18.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Simla, 12th October 1892, No. 286.

MY LORD,

WE have the honour, in continuation of the papers already transmitted to your Lordship on the subject of the Indian Currency, to forward herewith copy of a memorial from the Darjeeling and Terai Tea Planters' Association, praying that no change may be made in the existing currency system until an international agreement can be entered into by all the countries which have a silver standard.

2. We also enclose copy of a letter which has been sent to the Association, dealing with the main argument on which the memorial is based.

We have, &c.,
LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. H. T. CROSTHWAITE.

Enclosures in No. 18.

No. 1.

MEMORIAL of the Darjeeling and Terai Planters' Association to the Viceroy upon the Currency Question.

SHOWETH,

THAT your memorialists are an Association representative not only of the European and Indian capital which for the last thirty years has been so largely invested in the development of the staple industry, viz., the tea industry, carried on in the hill districts of Darjeeling and Kurseong and in the district of the Terai, but also of the important resident community of skilled Europeans who for a like period have been similarly engaged. To that capital and to the efforts of that community is almost entirely attributable the degree of prosperity at present enjoyed by the districts named. Your memorialists have read with concern the petition of the Indian Currency Association addressed to the Honourable the House of Commons, praying that the Government of India may be fully empowered to take such immediate measures as to it may seem fit for the purpose of remedying the evils attending on the present condition of the Indian currency system; for instance, by the prohibition of the free coinage of silver and by the adoption of gold as the monetary standard of value.

Your memorialists submit that if that prayer be granted and acted upon there is every probability that the Indian tea industry will collapse. In clause (20) of the petition above referred to it is stated that, under the present conditions of the currency system, "the "exporter is no gainer, for each fall in exchange is "followed by an equivalent fall in the gold price of "the commodities he exports." Your memorialists submit that this statement, besides being an insufficient representation of the facts, is one which it is extremely difficult, if not impossible, to verify. On the other hand, it is a fact well within the experience of your memorialists that the fall in gold prices at home, which has been going on steadily for the last twenty years, is attributable to over production of tea. That it has nothing to do with the fluctuations of exchange is obvious from the fact that within recent years, whenever the gold value of the silver rupee has risen in England, that rise has not been followed by an equivalent rise in gold prices. In clause (22) of the same petition it is stated that "the investment of "English capital in the development of the material "resources of the Empire is discouraged, for, both as "regards the remittance of interest and the final "transfer of invested profits and economies, the con- "tinuous fall in exchange imparts to the investment of "capital in this country a speculative character and a "risk which the capitalist is unwilling to face." Your memorialists submit that, apart from the fact that many of the capitalists engaged in the development of the Indian tea industry are resident in India, thus eliminating to a great extent the question of remitting interest home, and also apart from the fact that the idea of finality is a very indeterminate one to attach to the operations of the English capitalist, which are continuous operations, and therefore postulate the return to India, under advantageous conditions of exchange and in the shape of further capital, of the interest previously remitted home, it is within the experience of your memorialists that whatever difficulties they meet with in procuring financial assistance from capitalists resident in England are also, like the fall in gold prices at home, attributable to *over production of tea*, and not to any deterrent effects produced upon English capitalists by the fluctuations in exchange.

Those countries which still retain silver as their monetary standard of value have hitherto entered into no international agreement under which they shall all combine (1) to check the present continuous fall in the value of silver, or (2) to impart a character of stability to any rate of exchange upon which they may fix for the rupee or dollar, or (3) to adopt gold as the common monetary standard of value. China is a country with a silver standard, and the rise and fall of the price of her silver *tael* is regulated by the same conditions that govern the fluctuations in the price of India's silver rupee. She is also a tea-producing country, and thus enters into competition with the community who are engaged in developing the tea industry of this country. In days gone by, China exported as much as 170,000,000 of pounds of tea to the London market. Since then, however, the superior quality of the tea exported to the same market from India has precluded China from exporting more than 50,000,000 lbs., and thus the ascendancy in this respect once belonging to China has been transferred to, and now rests with, India. Your memorialists submit that any interference, such as that prayed for in the petition of the Indian Currency Association, with the natural course of exchange between India and the country where both she and China find a market for their teas would inevitably cause the price of the India rupee either to be stationary or to rise gradually or suddenly, whilst at the same time the price of the Chinese *tael* would be falling; and your memorialists are therefore apprehensive not only lest China should, in consequence of that interference, regain the ascendancy which has been wrested from her, but even lest the tea industry of India should be entirely and irretrievably ruined.

Your memorialists therefore pray that, until such time as an international agreement is entered into by all countries having a silver standard, the Government of India, even if empowered by Her Majesty's Government in the way prayed for in the petition of the Indian Currency Association, will stay its hand, and not interfere with the present condition of the currency system; for under it those engaged in the Indian tea industry enjoy a considerable degree of prosperity, and this to the best of their ability they endeavour to share with all with whom they are connected, thus making the surrounding regions what they are, a happy district for the natives, with busy factories and an enormous population of industrious contented coolies, a prospect which will immediately vanish should the prayer of the petition above alluded to be granted, and your Excellency's Government act upon the powers conferred on it.

No. 2.

The SECRETARY TO THE GOVERNMENT OF INDIA to R. J. HARRISON, Esq., Honorary Secretary, Darjiling Planters' Association, Simla, 12th October, 1892.

SIR,

I AM directed by the Governor-General in Council to acknowledge receipt of your letter, No. 279, dated 24th September, 1892, forwarding a memorial to His Excellency the Viceroy in Council, from the Darjiling Planters' Association, on the subject of the Indian currency question.

The Government of India understand that the memorialists object, in the interests of the Indian tea industry, to any change in the Indian standard of value whereby the rupee would be given a fixed value in relation to gold, while at the same time the silver standard of China might continue to depreciate relatively to gold and to the Indian rupee under the new condition of things.

2. The prosperity of the tea industry of India is necessarily a matter of concern to the Government of India, and the arguments contained in the memorial have been carefully considered. The Governor-General in Council will not offer any opinion at the present time on the expediency of attempting to introduce a gold standard into India; the question has often been discussed, and the arguments *pro* and *con* are doubtless familiar to the memorialists. There is one matter contained in the memorial, however, which appears to the Government of India to require careful examination.

The memorialists apprehend that, if the value of the rupee were fixed with reference to gold, while the gold value of the Chinese *tael* continued to fall, China would obtain such an advantage over India in the production of tea that she would regain the ascendancy which she has lost, and that the tea industry of India might be entirely and irretrievably injured. In other words, the memorialists contend that, if two countries compete in the production of the same article, the country of which the standard of value is depreciating relatively to the standard of the other country must prove successful in the competition.

It is this proposition which, in the opinion of the Government of India, requires examination.

3. It is unnecessary to remind the memorialists that international trade is regulated by, and dependent upon, the comparative cost of production of commodities. India, for example, grows tea and exports it to England in exchange for (say) cotton goods, because it is found that, by devoting a certain amount of

labour and capital to the production of tea and exchanging that tea for cotton goods, a larger quantity of cotton goods is obtained than could be secured by devoting the same amount of labour and capital to the direct production of cotton goods in India.

It is obvious that the real cost, or amount of labour and capital, required to produce tea, piece goods, and all other commodities, must remain precisely the same whatever the standard of value may be, and a change of standard cannot possibly, therefore, have any effect on the fundamental conditions which regulate international trade. Accordingly, if a change in the value of the monetary standard injuriously, or beneficially, affects the production of any commodity, it must do so by impeding or facilitating (as the case may be) the operations of production and trade, rather than by modifying the essential conditions on which production and trade depend. Is it then the case that the depreciation of the standard of value necessarily stimulates the production of articles of export; if so, is such stimulus permanent, and is it attended with any drawback?

4. A mere alteration in the relative value of gold and silver, leading to an alteration in the exchange between two countries, confers no advantage on the one country over the other, in so far as regards the exchange of commodities for commodities. For example, if a certain number of pounds of tea sell for Rs. 100, and a certain number of yards of calico sell for 10*l*., and if Rs. 100 are worth 10*l*., India will receive Rs. 100 for her tea and pay 10*l*. or Rs. 100 for her piece-goods. Assuming that the relative value of gold and silver alters, so that it takes Rs. 120 to equal 10*l*. in value, India will, other conditions remaining the same, receive Rs. 20 more for her tea than she did before, but she will have to pay Rs. 20 more for her piece goods, and consequently the country, *as a whole*, in that exchange of commodities for commodities which constitutes international trade, neither gains nor loses by a fall in the gold value of silver.

Since the country, *as a whole*, neither gains nor loses in the international trade by the fall in the value of silver, it follows that, if the tea industry gains by the fall, such gain must be made at the expense of other members of the community; in other words, for every additional rupee which the producer of tea receives, owing to the fall in exchange, on account of tea exported, some other person in India has to pay a rupee more as the price of articles imported.

5. It may now be considered what is the nature of the gain made, at the expense of other members of the community, by the producer of goods for export, when silver falls relatively to gold, whether this gain is permanent or not, and whether it is attended with corresponding drawbacks. The gain (if any) made by the producers of tea, when silver falls relatively to gold arises solely from the fact that the alteration in the value of silver affects the exchange with England and the wholesale price of tea before it acts on other prices and on wages. If all the expenses of the tea producer rose simultaneously with, and to the same extent as, the rise in the wholesale price of his tea, due to a depreciation of the standard, he could derive no benefit from depreciation. It is the fact that all prices and wages do not rise simultaneously to the full extent that enables him to make a slight and temporary profit at the expense of the persons whom he employs, and of all other persons to whom he has to make fixed money payments.

This profit is usually only temporary, since with the depreciation of the standard all wages and prices tend to rise, and when the rise is completed the profit disappears. If the profit should happen to be considerable, and should last for some time, it supplies an unnatural and temporary stimulus to the trade, which leads to over-production and consequent reaction.

Moreover, large and sudden falls in the value of the standard necessarily imply the possibility of large and sudden rises, and fluctuations in the price of a commodity due to alterations in the value of the standard cannot fail to have an injurious effect on the trade as a whole.

6. The Government of India feel sure that the memorialists will admit that international trade must be considered as a whole, that trade and production are extended and improved by everything that adds to the welfare of the country at large, and that illegitimate and temporary gain made by one section of the community at the expense of another can only prove injurious in the long run.

In this view of the case it cannot be doubted that the possession of the same standard of value by two countries must, other things being equal, increase not only the total trade between the two countries, but the trade in each particular article, while the existence of two standards fluctuating in relative value constitutes a grave impediment to business, and not only reduces the aggregate of business, but injuriously affects every industry which contributes to make up that aggregate. It appears, therefore, to the Government of India that, if India possessed the same standard of value as England, always assuming that that standard of value was in itself a good one, trade between the two countries would be stimulated instead of checked, and every industry in both countries contributing to that trade would be benefited instead of injured.

7. To sum up, the Government of India are of opinion—

(1.) That a country, as a whole, makes no gain in its international trade by a depreciation of its standard, since the extra price received for its exports is balanced by the extra price paid for its imports.

(2.) That the producer of an article of export may make a temporary and unfair gain from depreciation of the standard, at the expense of his employés and of other persons to whom he makes fixed payments.

(3.) But that this gain, while not permanent, is counterbalanced by a tendency to overproduction and consequent reaction and depression, by a liability to sudden falls in price as well as to rises, and by the check to the general increase of international trade which necessarily results from the want of a common standard of value between countries which have intimate commercial and financial relations.

If the Government of India are right in the views they have just expressed, and they entertain no doubt as to their correctness, it will follow that the adoption of the same standard of value by England and India, always assuming that standard to be in itself a good standard, would facilitate international trade, stimulate production in both countries, and place China at a disadvantage as compared with India in the production of tea, as well as of all other commodities, for sale in the English market.

8. In conclusion, I am to say that a copy of the memorial will be forwarded for the information of Her Majesty's Secretary of State for India.

I have, &c.

J. F. FINLAY,

Secretary to the Government of India.

No. 19.

TELEGRAM from the SECRETARY OF STATE to the VICEROY, 21st October 1892.

Currency Committee thus composed:—Lord Chancellor, President; Right Honourable Leonard Courtney; Sir Thomas Farrer; Sir Reginald Welby, Secretary of the Treasury; Mr. Godley, Under Secretary of State for India; Lieutenant-General Strachey; Mr. Currie, Member of Council of India.

No. 20.

THE GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Simla, 26th October 1892, No. 293.

My LORD,

WE have the honour, in continuation of the papers already transmitted to your Lordship relative to the hardship caused to our officers by the fall in the gold value of the rupee, to forward herewith copy of a letter from the Directors of the Bengal Uncovenanted Service Family Pension Fund, No. 3,914, dated 24th September 1892, in which they request special assistance from the Government of India to enable them to pay the incumbents of the Fund, resident in Europe, at a rate of exchange higher than the present market rate.

2. We also enclose copy of the reply which we have sent to the letter. Though in the present case we have decided that no claim for assistance from the Revenu

of India can be admitted, the papers forwarded illustrate the difficulties that arise from the difference of standard between India and England.

We have, &c.

LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. H. T. CROSTHWAITE.

Enclosures in No. 20.

No. 1.

From W. H. RYLAND, Esq., Secretary, Uncovenanted Service Family Pension Fund, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department, No. 3914, dated 24th September, 1892.

THE Directors of the Uncovenanted Service Family Pension Fund desire to submit, for the consideration of His Excellency the Governor-General in Council, the following representation regarding the great loss occasioned by the heavy and continuous depreciation in the value of the rupee, both to the fund itself, and more especially to those incumbents of the fund resident in Europe, being widows and children of former subscribers, who receive their pensions in rupees converted at the current rate of exchange at which the remittances are effected.

2. The loss that falls on the fund is that incurred in the remittance to England of the amounts required for the payment, at the two shilling rate, of the pensions that fell due before the 1st May 1880 on risks accepted before 1st July 1876. As Government is aware, the rules of the fund formerly provided for the payment of pensions in London at the fixed rate of two shillings to the rupee, but this was altered in 1876, when it was laid down that this rate should apply only in the case of risks accepted before 1st July 1876, the annuities falling due on all subsequent risks being paid at the official rate of exchange for the year. Subsequently in 1880 a further alteration was made, in consequence of the constantly increasing charges for loss by exchange in remittances to London, and it was decided, by the votes of a majority of the subscribers, that the paying of pensions at the fixed rate of two shillings should be restricted to those which fell due before the 1st May 1880 on risks accepted before the 1st July 1876, all pensions falling due after 1st May 1880 being payable at the market rate of exchange.

3. The charges for loss in exchange that have had to be borne by the fund, although limited in this way, have been very heavy, as will be seen from the marginally noted figures showing the amounts for the last three years. The total charge that has fallen on the fund on this account up to 30th April 1892 aggregates Rs. 8,70,110, and, with the further recent fall in exchange, there is every reason to fear that the loss in the current year will be considerably larger than in any previous year. The matter, however, to which the Directors more particularly desire to now draw attention is the very great hardship and suffering caused to those of the incumbents resident in Europe who, having come on the fund after 1st May 1880, receive payment of their pensions at the market rate of exchange, by the continuous reduction in the sterling amounts of their pensions which has resulted from the decline in the value of the rupee.

	Rs.
1889-90	70,785
1890-91	54,049
1891-92	67,390

4. There is no doubt that the hardships due to this cause are very real and severe, and the Directors have received several piteous appeals and representations on the subject from the incumbents resident in Europe, bringing to notice the distress and suffering caused to them by the continuous decrease in the sterling value of their small pensions, and praying for the grant of some relief by the payment being made at a reasonable fixed rate of exchange. The Directors quite recognise the great hardship involved, and have the fullest sympathy with the widows and orphans whose slender incomes are being reduced in this way, but they see the impossibility of the fund undertaking any further liability for loss by exchange, in addition to the heavy charges already falling on it in connexion with the pensions that are payable at the two shilling rate. The directors have therefore been compelled to inform the incumbents, in reply to their appeals, that no relief can be granted to them at the expense of the fund, and that the loss they suffer can only be alleviated by measures being taken to place the Indian currency on a more stable basis, which is, of course, a matter that depends on the action of Government. The Directors accordingly think it right to bring prominently to the attention of the Government the unfortunate position of the incumbents of the fund who are resident in England and other gold currency countries, as an illustration of the very great hardship caused by the present depreciated state of the Indian currency to persons whose incomes are dependent on funds invested in India.

5. The Directors believe that the question of the present condition of the currency, and the advisability of adopting remedial measures, is under the consideration of Government, and they have every confidence that the interests of those to whom it is a matter of the greatest importance that the value of the rupee should be maintained at a steady and fairly high level, will receive full consideration. Should, however, the conclusion come to be that a low rate of exchange is, on the whole, an advantage to India, and that, in the interests of the country generally, it is not advisable to take steps for raising the gold value of the rupee, the Directors would submit that a question would then arise as to whether this fund had not a fair claim to be compensated for a loss which it would have to continue to bear because its removal would be against the general interests of the country.

6. The Directors do not, of course, wish to suggest that the Government can be expected to make good all losses in investments made in India resulting from the depreciation of the Indian currency, and, as a matter of fact, they have not up to this time submitted any representation on the subject, though for many years past the loss, both to the fund and its incumbents, has been heavy. This loss has hitherto been patiently borne, in the hope that it would not be permanent, and that something would ultimately be done to restore stability to the Indian currency. The recent further heavy fall in exchange and the uncertainty as to whether the rupee may not depreciate still more, have, however, given the Directors cause for alarm in the interests both of the fund and of its incumbents, and they wish to bring to the notice of Government that there are circumstances regarding the position of the fund and its connexion with Government which give it a claim to special consideration, and which they consider justify them in asking Government to protect the fund and its incumbents from the loss by exchange beyond, at any rate, a certain limit.

7. In the first place it is to be remembered that the fund was established with the cognisance and under the patronage of the Government, with the object of affording facilities to members of the Uncovenanted Service for securing a provision for their families in the event of their death; and the necessity of the servants of Government availing themselves of the advantages of the fund was urged in many orders of Government, in which it was pointed out that Government expected all their servants to make adequate provision for their families, and that they would not recognise any claims for the grant of compassionate allowances in the case of families being left unprovided for. In this way the fund has clearly been of service to Government, as preventing many claims for assistance which would otherwise have undoubtedly been preferred, and it follows therefore that the concession of a favourable rate of interest has not been altogether without consideration. The Directors have no wish to minimise the advantages of the favourable rate of interest conceded by Government, which has allowed of lower rates of subscription being charged than would otherwise have been necessary, but there is no doubt that, in the case of the large number of non-domiciled European members of the fund, whose nominees will draw their pensions in England, the advantages now derived are much less than the subscribers had fair reason to expect when they joined the fund, as, owing to the great fall in exchange, the value to their nominees of the pensions assured has largely depreciated. One chief ground for the general feeling of hardship which undoubtedly exists among many of the older subscribers is, that the greater portion of their subscriptions were paid into the fund when the value of the rupee was at, or near, two shillings, and the Directors cannot help recognising that there is some justification for this feeling, especially in

view of the fact that the fund is not able to allow of anything in the form of surrender value to members who might wish to sever their connexion with it. Consequently a subscriber has no option but to continue subscribing notwithstanding that the benefits derivable are not what he anticipated when he joined, or to forfeit all his past payments without any return. These are the circumstances that so greatly differentiate the position of a subscriber to a fund of this kind, from that of an ordinary investor in Indian securities, who, of course, has the option at any time of securing himself from further loss due to the depreciation of the rupee, by realising his investments and making other arrangements. While recognising all this, the Directors feel that, as already stated, the fund is powerless in the matter, as it can only draw from Government the number of rupees paid in with interest. If, therefore, any remedy is to be applied, the fund must look for assistance to Government, in whose hands the assets of the fund have been placed, and who alone are in a position to grant any compensation to subscribers, for the difference between the value of the rupee when the subscriptions were paid into the Treasury, and the depreciated value when withdrawals are made for the payment of pensions.

8. The Directors have not formed any unreasonable expectations as to the assistance which Government may be prepared to grant in the matter, and they do not suggest that the fund should be compensated to the full extent of the loss in exchange due to the depreciation of the rupee. It is probable that if the remedial measures under contemplation in regard to the currency resulted in the sterling value of the rupee being restored to a minimum of 1*s.* 6*d.*, that would be regarded as a satisfactory solution by the general body of subscribers to the fund. In the event, however, of nothing being done to give stability to the rupee, the Directors would submit that there would be good grounds for asking Government to grant some assistance to the fund, to allow of the payment of pensions to incumbents in England at a reasonable fixed rate, and, under all the circumstances, the rate of 1*s.* 6*d.* would appear to be the one that might reasonably be suggested for adoption.

9. The Directors fully recognise that this matter of the fall in the value of the rupee is one that is causing much trouble to the Government itself, and that, pending settlement of the measures to be taken in regard to the currency, the Government may be unable to deal with such a representation as is herein submitted; but they would ask that, if possible, an assurance may be given that the reasonable claims of the fund in the matter will receive favourable consideration, in the event of its being decided to take no action to raise and fix the sterling value of the rupee. Such an assurance would be of great value in the way of restoring confidence in the fund, and allaying the anxiety now so prevalent among subscribers as to the future provision that will be available for their wives and children when they become incumbents on the fund. As regards the present incumbents resident in Europe, who are now suffering so severely by the great reduction of the sterling equivalents of their pensions, with the fear before them of a still further reduction if nothing is done to reform the currency, the Directors feel that their case is one of great hardship, which it would be desirable to alleviate by the grant of some immediate relief. The Directors would therefore, venture to ask that Government will favourably consider the possibility, pending the decision on the general question, of granting some assistance in these cases, in such way as to Government may seem fit.

No. 2.

The SECRETARY TO THE GOVERNMENT of INDIA to the SECRETARY TO THE BENGAL UNCOVENANTED SERVICE FAMILY PENSION FUND, Simla, 24th October 1892, No. 4341 A.

SIR,

I AM directed to acknowledge the receipt of your letter, No. 3,914, dated 24th September 1892, in which you convey the request of the Directors of the fund that, pending final settlement of the currency question, some special assistance may be granted to the fund to alleviate the sufferings caused by the recent heavy fall in the exchange value of the rupee to present incumbents of the fund resident in Europe. The Directors also request that an assurance may be given by the Government of India that, in the event of its being ultimately decided to take no action to raise and fix the sterling value of the rupee, the claims of the fund to special assistance will receive favourable consideration at the hands of Government.

2. In reply, I am directed to say that the Government of India cannot hold out any hope of assistance to the fund on account of the fall in the gold value of the rupee.

3. I am to point out that the fund is essentially a private fund, to which Government already grants valuable concessions; it is managed by the subscribers, and Government accepts no responsibility for its solvency. The Government of India is therefore unable to admit that the fund has any claim to special assistance of the nature requested in your letter.

I have, &c.,
J. F. FINLAY,
Secretary to the Government of India.

No. 21.

The SECRETARY OF STATE FOR INDIA to the GOVERNOR-GENERAL OF INDIA IN COUNCIL, 3rd November 1892, No. 219.

(Extract.)

YOUR Excellency was informed by my telegram of the 30th of September that it had been decided to appoint a Committee, over which the Lord Chancellor would preside, to advise whether it is expedient that any steps should be taken to modify the Indian Currency Act; and by my subsequent telegram of the 21st of October you will have learned that the other members of the Committee are the Right Honourable Leonard Henry Courtney, M.P., Sir Thomas Henry Farrer, Bart., Sir Reginald Earle Welby, G.C.B., Mr. Arthur Godley, C.B., Lieutenant-General Richard Strachey, C.S.I., and Mr. Bertram Wodehouse Currie.

A copy of my letter* to the Lord Chancellor of the 21st of October, appointing the Committee, is enclosed for your Excellency's information.

No. 22.

TELEGRAM from the VICEROY to the SECRETARY OF STATE, 4th November 1892.

WE have received memorial from 674 Native import traders, Bombay city, complaining that fluctuations of exchange have reduced their business to speculation and gambling; asking steps to be taken to fix exchange value of rupee. Please inform Lord Herschell's Committee.

No. 23.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE for INDIA, Simla, 9th November, 1892.

MY LORD,

IN continuation of our Financial Despatch, No. 254, dated the 21st September, 1892, we have the honour to transmit, for your Lordship's information, copy of a letter from the Vice-President of the Bombay Branch of the Indian Currency Association, and of the resolution therein referred to on the appointment of Lord Herschell's Committee.

We have, &c.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.

Enclosure in No. 23.

From H. A. ACWORTH, Esq., Vice-President, Bombay Branch of the Indian Currency Association, to the Secretary to the Government of India, Financial Department, 28th October, 1892.

I HAVE the honour to forward herewith copy of a resolution* passed by the members of the Bombay Branch of the above Association at a meeting held here

* See page i.

on the 26th instant, with a request that it may be laid before the Government of India.

Proposed by Mr. Acworth, seconded by Mr. C. H. B. Forbes.

That this meeting records its satisfaction at the appointment of Lord Herschell's Committee as an indication of interest on the part of Home Government, and is glad to learn that the Honourable Mr. Mackay is on his way to England to give evidence before it. At the same time the members of the Association in Bombay earnestly trust that the Committee will record the result of its deliberations with the least possible delay, as they feel that the emergency is one of a pressing character, and that the questions at issue, having been the subjects of consideration for many years, are ripe for decision.

No. 24.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Simla, 16th November 1892, No. 317.

MY LORD,

IN continuation of our Despatch, No. 217 Financial), dated the 16th August 1892, forwarding a memorial from the Native traders of Karachi complaining of the injury done to their business and trade by the constant fluctuations in exchange, we have the honour to forward a memorial signed by six hundred and seventy-four Native import traders of the city of Bombay, in which a similar complaint is made. On the 4th instant we telegraphed informing your Lordship of the receipt of the memorial, and requesting that Lord Herschell's Committee might be informed of the fact.

2. We attach importance to this memorial, as the number of signatures indicates that it represents the practically unanimous opinion of the Native import traders of Bombay.

3. We take the opportunity of enclosing copy of a memorial received by us from the Karachi Chamber of Commerce which the Chamber has taken steps to present to Parliament.

We have, &c.,
ROBERTS.
D. BARBOUR.
A. E. MILLER.

Enclosures in No. 24.

No. 1.

To His Excellency the Most Honourable the MARQUIS OF LANSDOWNE, Viceroy and Governor-General of India.

The humble Memorial of the Native Import Traders of the City of Bombay.

RESPECTFULLY SHOWETH,

THAT your memorialists have gladly availed themselves of an opportunity recently afforded of signing a petition addressed by the Indian Currency Association to the House of Commons of Great Britain and Ireland upon the present condition of the currency of this country, but they desire to address your Excellency separately upon the subject of the great loss and anxiety to which they are subjected by reason of the uncertain exchange value of the rupee.

That your memorialists, though possessed of long experience in the import trade, have of late found that, owing to the fluctuations in exchange, they, as well as the European merchants of this city, have incurred very serious risks and losses in their business.

That, in consequence of these losses, a large majority of the members of the Bombay Chamber of Commerce, once indifferent upon the question, have now come to recognise that it also affects them injuriously, and accordingly within the last few days have, greatly to your memorialists' satisfaction, passed a resolution calling upon your Excellency's Government to take advice whether some remedy cannot be applied to the evils from which they, as well as your memorialists, have been and now are suffering.

That until some eight or ten years ago your memorialists were generally able to enter into contracts with European agency firms based upon rupee prices, but this system has now gone out of vogue, and the risk of exchange has to be borne by your memorialists; and this risk is so materially heightened by the recent heavy fall and violent fluctuations in exchange that your memorialists find it simply impossible to carry on their trade any longer with any degree of safety.

That your memorialists are thus much perplexed and uncertain in respect of continuing their business. That they have been in the habit, when placing their order, of calculating upon a moderate profit of from ½ to ¾ per cent., but have found that even a small movement in exchange has been sufficient to convert this expected profit into a loss.

That, if they seek to avoid the risk by fixing exchange at the time of placing an order, they incur another risk of being undersold by others who have not fixed exchange and have benefited by a rise; that some among them do one thing and some another, and that thus their business has been changed from legitimate trading into speculation and gambling.

That your memorialists understand that further troubles may arise in future; that your Excellency's Government may be forced to impose additional taxation upon this country to meet Government losses by exchange, which taxation your memorialists most humbly urge the country is utterly unable to bear, and would create a most widespread dissatisfaction amongst the masses.

That they understand that a Conference between America and the nations of Europe is about to take place, which is likely to result in one of two things, both harmful to your memorialists; that it may lead to the sudden fixing of exchange at so high a figure as to produce widespread ruin in this city, or may cause a sudden fall which would be equally disastrous.

Your memorialists, though ignorant of the laws which govern questions of international currency, possess a confident hope and expectation that your Excellency and your Excellency's Councillors will in their wisdom be able to devise some means of averting these dangers, and of preventing the constant fluctuations in exchange which now so greatly harass them. They therefore pray that steps may be taken to fix the exchange value of the rupee at a rate which, in your Excellency's judgment, may be best suited to the interests of your memorialists.

That your memorialists urgently but respectfully request that your Excellency's Government will give earnest heed to this humble representation of their case, and will take speedy steps towards securing the ends which they desire.

And your memorialists, as in duty bound, will ever pray.

No. 2.

To the Honourable the COMMONS OF GREAT BRITAIN AND IRELAND in Parliament assembled.

Karachi, 1st September 1892.

The Petition of the Karachi Chamber of Commerce.

HUMBLY SHOWETH,

THAT your petitioners suffer inconvenience and loss in consequence of the continuous fluctuations in the exchangeable value of the money of this Empire with that of the gold-using countries, and that a remedy is urgently required.

2. From 1835 to 1872 the rupee, the monetary standard of value in India, exchanged with little variation. In 1872 Germany demonetised silver; France, to avoid an influx of the German silver, restricted the coinage of that metal. Since then other European nations have also demonetised silver. The result has been a fall in the value of silver measured by gold from 60 pence per ounce to between 38 and 39 pence, a decline of over 35 per cent., and the exchange value of the rupee has consequently fallen from 24 pence to 14·65 pence.

3. The maintenance of some stability in the ratio of value between gold and silver is of the greatest importance to trade, continual and violent fluctuations in that ratio tending to falsify the calculations of merchants, and to check trading operations by increasing the uncertainties attending them.

4. Various remedies have been suggested, and International Monetary Conferences have been held in 1867, in 1878, and in 1881. In 1886 the question was the subject of investigation by a Royal Commission. The members of this Commission reported that they were unanimously of opinion that the Government of India should be left free to adjust matters in the way that seemed best, but no action was taken on that report, and practically nothing has been done to arrest the progressive fall in the value of silver since 1872.

5. The investment of English capital in the development of the material resources of the Empire is discouraged; for, both as regards the remittance of interest and the final transfer of invested profits and

economies, the uncertainty in exchange imparts to the investment of capital in this country a speculative character and a risk which the capitalist is naturally unwilling to face.

6. Then, too, the credit of the State is heavily injured by the fluctuating value of the rupee securities of the Government of India held in England and the uncertainty in the amount of interest in gold which may be obtained by their holders. English capitalists are naturally as reluctant to invest their money in these securities as they are to invest it in India.

7. But it is of the harassment to which the trading community are constantly subjected by the uncertainty and the fluctuations of exchange that we bitterly complain. We submit that, with a continuance of the present state of things, legitimate trade in India is in great danger of being replaced by pure speculations.

8. Your petitioners, therefore, humbly pray that, in view of the considerations set forth above, your Honourable House will be pleased to endeavour to secure, through the International Conference about to be held, means by which the mercantile community may be accorded the benefit of a stable par of exchange, thus granting a relief from the disadvantages under which trading in India has been suffering in consequence of the heavy and sudden fluctuations of the rupee for many years past.

And your petitioners, as in duty bound, will ever pray.

No. 25.

TELEGRAM from the SECRETARY OF STATE to the VICEROY, 21st November 1892.

Currency Committee wish for view of your Government on Sir John Lubbock's proposal for heavy seignorage on silver. See speech at London Chamber of Commerce in "Times" of 27th October. Also as to duty on imported silver bullion. Please reply fully by mail, not by telegram only.

No. 26.

TELEGRAM from the VICEROY to the SECRETARY OF STATE, 5th December 1892.

As to Sir John Lubbock's proposal to which your telegram of the 21st of November refers, if a seignorage of 10 per cent were imposed, the revenue derived from the coinage of silver for the public would be increased; but a seignorage of so high an amount would reduce the quantity of silver brought for coinage. Rupees would ultimately be kept at a value higher by nearly 10 per cent. than if the mint charged no seignorage at all, but the return of rupees from foreign countries would doubtless prevent the full effect from being at once produced. A seignorage of that amount would reduce the demand for silver, and thereby slightly affect its value. We cannot see that it would at all check the fluctuations in the Eastern exchanges. If a seignorage of 10 per cent. were imposed, the exchange with India might not fall so low as it otherwise would have done, but when it rose the rise would be proportionately higher. With a high seignorage, fluctuations would be no less serious and frequent than if there were none. Practically it would make the rupee a token coin, and the chief evil from which we suffer would not be touched; we, therefore, cannot give the proposal our support. To the suggestion that an import duty should be imposed on silver, there is a similar objection; the rupee might be practically of the same value within the limits of British India, as that of the silver which it contained; but there would be as frequent and as great fluctuations in exchange as before; and we should also have the risk of smuggling. It has been proposed that a rate or import duty should be charged, varying so as to maintain coined rupees at a fixed gold value; but so many complaints would arise from a fluctuating rate, and the scheme is open to so many objections, that we do not consider it practicable.

No. 27.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Calcutta, 7th December, 1892, No. 328.

MY LORD,

WE have the honour to acknowledge receipt of your telegram dated 21st November 1892, quoted in the margin,* regarding a proposal to charge a high seignorage on the coinage of silver at the Indian mints or to impose an import duty on all silver imported into India.

To this telegram we caused the telegraphic reply to be sent on the 5th.†

2. The above telegram dealt so fully with the question referred to us by your Lordship that we feel it unnecessary to do more than give a brief summary of our arguments in the present despatch. It will suffice to say that a high seignorage on the coinage of silver or a high import duty on silver brought into India would improve our financial position, both by adding to the public revenue, and by preventing the gold value of the rupee from falling as low as it might otherwise have done. As soon as the rupee was given a materially higher value than that of the silver contained in it, rupees would doubtless be returned to India from foreign countries and from Native States, and possibly some hoarded rupees might be thrown into circulation. The full effect of such a duty might not therefore be obtained at once, but to the above extent the difficulties of the financial position would no doubt be alleviated for a time by such a measure as that proposed by Sir John Lubbock.

On the other hand, while the silver rupee would, by the imposition of a 10 per cent. seignorage, be practically reduced to the position of a token coin, the evils arising from excessive fluctuations in the exchange would be neither removed nor alleviated.

3. We have caused the exchange value of the rupee to be calculated on the hypothesis of a 2 per cent. seignorage, as at present, and of a 10 per cent. seignorage, as proposed, at prices in London of a standard oz. of silver varying from 60*d.* to 30*d.*, allowing for melting charge, mint loss, cost of remittance to India, and interest. The following table gives the results of this calculation:—

Price per oz. of Standard Silver in Pence.	Exchange Value of a Rupee in Pence (Seignorage 2 per cent.).	Exchange Value of a Rupee in Pence (Seignorage 10 per cent.).
60	23·04	25·09
59	22·65	24·67
58	22·27	24·25
57	21·89	23·83
56	21·50	23·42
55	21·12	23·00
54	20·73	22·58
53	20·35	22·16
52	19·97	21·74
51	19·58	21·32
50	19·20	20·90
49	18·81	20·49
48	18·43	20·07
47	18·05	19·65
46	17·66	19·23
45	17·28	18·81
44	16·89	18·40
43	16·51	18·00
42	16·13	17·56
41	15·74	17·14
40	15·36	16·72
39	14·97	16·31
38	14·59	15·90
37	14·20	15·47
36	13·82	15·05
35	13·44	14·64
34	13·05	14·22
33	12·67	13·80
32	12·28	13·38
31	12·90	12·96
30	11·52	12·54

It will be observed that, when silver falls from 50*d.* per oz. to 40*d.* per oz., the gold cost of the rupee with a 2 per cent. seignorage falls from 19·20*d.* to 15·36*d.*, a difference of 3·84*d.*, or exactly 20 per cent. With a seignorage of 10 per cent. the fall is from 20·90*d.* to 16·72*d.*, a fall of 4·18*d.*, or 20 per cent. as before; in other words, with a 10 per cent. seignorage instead of a seignorage of 2 per cent. the amount of fall measured in pence would be greater, but the percentage of fall would be exactly the same. The measure would therefore have no effect whatever in putting a stop to fluctuations.

* See No. 25. † See No. 26.

4. As the adoption of a high rate of seignorage would have no effect on the chief evil from which we now suffer, would merely tend to improve in some degree the present financial position of the Government, and would afford no guarantee against depreciation in the future, we are of opinion that the objections to reducing the rupee to a token coin, and indefinitely deferring the complete solution which we believe must be arrived at some day, outweigh any advantages which the measure might produce. If it be decided that the rupee must, sooner or later, be converted into a token coin, it seems to us that it would be better to adopt a gold standard at once, a course which would equally improve the financial position and would also afford some prospect of a final and satisfactory remedy. This course is in our opinion clearly preferable to a half measure, involving the main disadvantage of a gold standard, but leaving our greatest difficulty untouched, and affording no guarantee against fall of value in the future.

5. With regard to the proposal referred to in the last sentence of our telegram, we may remark that the objections to a currency system which depended for its success on a rate of seignorage or import duty fluctuating in accordance with the rise and fall in the market price of silver, are so obvious and so serious that we refrain from discussing the question.

We have, &c.,
LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. B. PRITCHARD.

No. 28.

TELEGRAM from the VICEROY to the SECRETARY OF STATE, 9th December 1892.

Indian Currency Association, representing alarm felt at uncertainty regarding exchange, request Government to grant assurance, if Brussels Conference fails, that it will take necessary steps to protect Indian currency, or recommend cessation of sale of Council Bills below current rate, pending decision of Lord Herschell's Committee. We have declined to take either course, as possibly hampering future action.

No. 29.

TELEGRAM from the VICEROY to the SECRETARY OF STATE, 23rd December 1892.

Currency Association has called our attention to unusually large shipments of silver to India, and to export of gold, as well as to impediment to business caused by present uncertainty. Association urges us strongly to request your Lordship to communicate by telegraph, and as speedily as possible, your decision on proposal before Lord Herschell's Committee. We feel sure that your Lordship fully recognises the evil to which delay must give rise, and that a decision will be given without unnecessary prolongation of present state of suspense. The difficulties of many of our European officers are very serious, and we fear that an indefinite continuance of the present state of things, which has already occasioned a very uneasy feeling, may give rise to a regrettable agitation.

No. 30.

TELEGRAM from the SECRETARY OF STATE to the VICEROY, 31st December 1892.

Yours, 23rd. Currency. I am fully aware of importance of avoiding all unnecessary prolongation of state of suspense; but the questions raised before Lord Herschell's Committee are of such gravity that they cannot be decided without full consideration.

No. 31.

TELEGRAM from the VICEROY to the SECRETARY OF STATE, 13th January, 1893.

A resolution, which we are forwarding, has been submitted by the Bombay Branch Currency Association, in which attention is drawn to a report that forward contracts are being made for delivery of silver at a lower rate than the present price. They urge that the mints should immediately be closed, and that Council bills should be sold at a fixed rate. It is anticipated that the difficulties of the Government and the trade will be aggravated by delay.

No. 32.

THE GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Calcutta, 18th January 1893, No. 25.

MY LORD,

IN continuation of our telegram of the 13th instant, quoted in the margin,* we have the honour to forward, for your Lordship's consideration, copy of a letter, dated the 7th January 1893, from the Bombay Branch of the Indian Currency Association, together with copy of the Resolution referred to, advocating that our mints should be immediately closed against the free coinage of silver, and that Council bills should be sold at fixed rates.

2. We take this opportunity to transmit copy of the letter, dated the 21st December 1892, from Mr. Mackay, the President of the Indian Currency Association, the substance of which was communicated to your Lordship in our telegram dated the 23rd December 1892, to which your Lordship replied by telegram dated the 31st December 1892.

We have, &c.,
LANSDOWNE.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. B. PRITCHARD.

Enclosures in No. 32.

No. 1.

From the PRESIDENT, Indian Currency Association, Bombay Branch, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department, dated 7th January 1893.

I HAVE the honour to forward copy of a Resolution passed yesterday by the Committee of the Bombay Branch of the above Association, with a request that it may be forwarded to the Secretary of State for India.

Resolution passed by the Committee of the Bombay Branch of the Indian Currency Association at a Meeting held yesterday, the 6th January 1893.

"As it seems certain that the deliberations of the International Monetary Conference will end without any practical result being arrived at, and that, in consequence, as the statements of the American delegates leave no room to doubt, America will shortly suspend State purchases of silver, the gold price of that metal must necessarily continue to fall. The Secretary of State for India should, therefore, be urged by Government to sanction the immediate closing of the mints against the free coinage of silver, reserving that privilege for Government alone, and to refuse the sale of Council bills under a certain fixed rate.

"Unless these protective measures be speedily adopted, it is anticipated that the Government of India will soon be involved in deeper financial troubles, that the present disorganised condition of trade will be intensely aggravated, and the financial and commercial relations with gold-using countries reduced to absolute confusion.

"This branch of the Indian Currency Association is distinctly of opinion that no insurmountable difficulty can arise from the immediate closing of the mints to the public, and that to do so is the only rational remedy for the present ruinous position. The longer this action is delayed, the greater the difficulties that will arise. Already the abnormally large shipments of silver in transit to India, and the large contracts reported to have been made in London for the delivery of silver some months forward at rates considerably under the existing market rate, unmistakably indicate that practical authoritative opinion views the future of silver with grave alarm, and that the closing of India's mints is considered inevitable.

"India is believed to be the only country whose mints are now open to the unrestricted coinage of silver, and, as the markets for the metal are notoriously in the hands of bold speculators, the disturbing fluctuations are not likely to be less frequent and violent than hitherto, and are certain to be maintained so long as India continues to keep her mints open as at present.

"By adopting the course proposed, India will be able to wait composedly till Western nations make up their

* See No. 31.

minds as to what course they mean to permanently follow."

No. 2.

From J. L. MACKAY, Esq., President, Indian Currency Association, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department, dated 21st December 1892.

THE course of the proceedings at the International Monetary Conference, and the adjournment of the Conference, subject to the approval of the Governments represented as to the expediency of meeting again, must be taken to mean that it is hopeless to expect any international agreement, either as to the adoption of the bimetallic system or as to the more limited proposals placed before the Conference for an extension of the use of silver and a restriction of the use of gold. It is, indeed, universally admitted that what was foreseen in the final paragraph of the petition of this Association to the House of Commons, and in my letter of the 24th June last, with which the petition was placed before the Government of India, has actually been realised.

2. There now remains no method of relieving India from the effects of its depreciated currency, except as pointed out in the letter to which reference has just been made, namely, the closing of the mints to the unlimited coinage of silver for the public and the adoption of gold as the standard. In the position which we have now reached, it is generally admitted that action in this direction is essential, and that the change should be made without further delay.

3. In the expectation which prevails on all sides, by some that action will be taken, by others that it is unavoidable, the course of business is greatly impeded. The country is being inundated with silver to an extent only equalled in the very exceptional year 1890, the shipments from London, since the failure of the International Conference was recognized, having been on an enormous scale. In the last four weeks silver to the value of about a million sterling has been shipped from London for India, where there is no present demand for it. It is generally inferred that these shipments have been made in view of a further fall in the price of the metal. On the other hand the exports of gold from India during the present year have been made on an unusual scale. It is easy to see that a large inflow of silver and a large outflow of gold, even if they are not the result of the expectation of a change in the Indian currency, will aggravate the difficulty of making the change in the standard, and that the longer the change is deferred the more will the difficulties be enhanced.

4. The Government of India recently refused, in reply to representations from this Association and from the Associated Exchange Banks of this city, to give the public any indication of the policy it proposed to pursue. On behalf of the Association, I take no exception to this refusal, if, as may be presumed, the report of the Committee presided over by the Lord High Chancellor and the conclusions thereon of the Secretary of State for India have not yet reached the Government of India. But the Governor-General in Council will, I am sure, recognise that it is desirable to terminate the tension which, in the existing uncertainty, prevails in business circles, and that it is also expedient not to prolong an uncertainty which gives occasion for an unnecessary inflow of silver and outflow of gold, which must interfere with the smooth working of any plan of reform which may be entered upon.

5. I have the honour, therefore, respectfully to suggest that it is expedient that the Secretary of State for India should be informed by telegraph of the position, and that His Lordship should be requested to communicate to His Excellency the Viceroy, as speedily as possible and by telegraph, the decision on the question placed before Lord Herschell's Committee. In case His Lordship should see fit to comply with this request, it would be a source of great satisfaction if the decision of His Lordship were made public without delay.

No. 33.

TELEGRAM from the SECRETARY OF STATE to the VICEROY, 20th January, 1893.

I shall be glad if you will briefly specify the details of the action which you propose to take in order to establish the gold standard after the mints have been closed. Your Despatch and Barbour's minute do not clearly define the steps to be taken.

No. 34.

TELEGRAM from the VICEROY to the SECRETARY OF STATE, 22nd January 1893.

Look at paragraph 6 of Sir D. Barbour's Minute.* As to clause 1 of that paragraph, a Bill has been drafted to stop the free coinage of silver. By next mail a copy will be forwarded. As to clause 2, our proposal is that we shall take power to issue a notification declaring that English gold coins shall be legal tender in India at a rate of not less than 13⅓ rupees for one sovereign; provision has been made for this in the draft Bill. An interval of time, of which the length cannot be determined beforehand, should, we think, elapse between the mints being closed and any attempt being made to coin gold in India. The power to admit sovereigns as legal tender might be of use as a measure *ad interim*, but it need not be put into force except in case of necessity. This is the general outline of our plan. Are there any special points on which further information is desired?

DRAFT OF BILL referred to in the VICEROY'S TELEGRAM to LORD KIMBERLEY, dated 22nd January 1893.

Whereas it is expedient to amend the Indian Coinage Act, 1870, and the Indian Paper Currency Act, 1882, it is hereby enacted as follows:—

1. (1.) This Act may be called the Indian Coinage and Paper Currency Act, 1893; and

(2.) It shall come into force at once.

2. The enactments specified in the Schedule hereto shall be repealed or modified to the extent and in the manner mentioned in the third column thereof, but no such repeal or modification shall affect the validity of anything already done, or any right or obligation heretofore acquired or undergone, under the said enactments or any or them.

3. (1.) The Governor-General in Council may, by Order notified in the Gazette of India, declare that any gold coins which are for the time being a legal tender in England shall be a legal tender in India in payment or on account, at such rate, not being less than 13⅓ rupees for one sovereign and so for any greater or smaller coin, as shall be fixed in such Order, and may, in like manner, cancel or vary such Order.

(2.) Section 12 of the first-mentioned Act is hereby repealed to the extent necessary to give effect to all Orders made under Sub-section (1) of this section, but not further or otherwise.

THE SCHEDULE.

Number and Year, and Short Title.	Sections.	Extent of Repeal or Modification.
Act XXIII. of 1870. The Indian Coinage Act, 1870.	19 to 26 both inclusive.	The whole to be repealed.
Act XX. of 1882. The Indian Paper Currency Act.	11	Clause (*b*), clause (*d*), and the proviso, to be repealed.
	12	The word and letter "clause (*b*)" to be omitted.
	13	The words "to an extent to "be specified in the order not "exceeding one-fourth of the "total amount of issues re- "presented by coin and "bullion as provided by this "Act" to be omitted.
	14 and 15	The whole sections to be repealed.
	21	For the proviso to sub-section (1) the following shall be substituted: "Provided that any "coin or bullion so received "and appropriated may be "sold or exchanged for gold "or silver coin of the Govern- "ment of India of the like "value, which shall be so "appropriated and set apart "instead of the coin or "bullion sold or exchanged."
		Sub-section (2) to be repealed.
	28	Sub-section (1), clause (*f*), to be omitted.
		Sub-section (3), to be repealed.

* *See* page 148.

No. 35.

TELEGRAM from the VICEROY to the SECRETARY OF STATE, 1st February 1893.

It is expected that the deficit of 1893-94 will be 150 lakhs, taking exchange at 1*s.* 2¾*d.* per rupee, and making no provision for compensation for European officers. Our financial arrangements for the coming year cannot be made until a decision has been arrived at regarding the currency. Unless you will be in a position shortly to give a final decision, we should like to be informed whether there is such a probability of the stoppage of the free coinage of silver, or of the adoption of other measures to raise the value of the rupee, as to justify us in showing a deficit in the budget, or whether we ought now to consider our financial policy for the coming year on the assumption that the exchange value of the rupee will not be raised. We wish for a reply as soon as possible.

No. 36.

TELEGRAM from the VICEROY to the SECRETARY OF STATE, 3rd February 1893.

I received to-day strong deputation from Currency Association. Representatives of following interests were present,—merchants, traders, shipowners, importers, exporters, manufacturers, producers, bankers, and land. Deputation urged stoppage of free coinage of silver, and supported its proposal by evidence showing that all the above interests are now injuriously affected. Statements of deputation seemed to me to have strengthened case in favour of closing mints; and this will, I think, be the impression here. I expressed my own belief that not only Government and its officers, but whole country, suffered under existing state of things; but I dwelt on need of caution, and of proving conclusively that remedy contemplated involved neither political nor economical risks. Finally, I told deputation that they seemed to me to make out a *primâ facie* case in favour of standard uniform with that of countries with which India does most of its business; and that, as Association had now for seven months fearlessly advocated such a standard, it rested with opponents of Association to show authoritatively that country disagreed with its conclusions.

No. 37.

TELEGRAM from the SECRETARY OF STATE to the VICEROY, 4th February 1893.

It is impossible for me to say when the decision respecting the Currency will be given, or even to indicate its purport. You had better frame the budget for a deficit on the present lines, without making any provision for the effect of such measures as are now under the consideration of the Secretary of State.

No. 38.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Calcutta, 15th February 1893, No. 68.

MY LORD,

WE have the honour, in continuation of the papers already transmitted to your Lordship on the subject of a change in the Indian monetary standard, to forward copy of a letter from the Government of Bengal and of the correspondence referred to therein, in which it is suggested by Messrs. A. E. J. Abraham & Co. that, in order to minimise the loss which may be caused, by a sudden change in the standard, to those engaged in trade with China and other silver-using countries, and especially to those who trade in opium and Indian yarn, three months' previous notice should be given of any action which Government may decide to take in this matter.

2. We are of opinion that it would be inexpedient to give three months' notice of any change which may be decided on. But we have not replied to Messrs. Abraham & Co.'s letter, and merely forward copy of it for your Lordship's information.

We have, &c.,
LANSDOWNE.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. B. PRITCHARD.

Enclosures in No. 38.

From C. E. BUCKLAND, Esq., Secretary to the Government of Bengal, Revenue Department, to the SECRETARY TO THE GOVERNMENT OF INDIA (Finance and Commerce Department), No. 485, Miscellaneous, dated 30th January 1893.

I AM directed to submit, for the information and orders of His Excellency the Viceroy and Governor General in Council, the enclosed copy of a letter from the Board of Revenue, Lower Provinces, No. 58 B, dated the 19th January 1893, submitting copies of correspondence with Messrs. A. E. J. Abraham & Co., who represent that certain decisions which the Supreme Government may arrive at in dealing with the Indian currency will, if suddenly acted upon, very adversely affect the position of those engaged in trade with China and other silver-using countries, and especially of those who trade in opium and Indian yarn. It will be seen that Messrs. Abraham & Co. suggest that, in order to minimise the loss to which they and others will be subjected in the event of any alteration being made of the Indian currency, three months' notice should be given of any action affecting the currency which Government may have under contemplation.

From T. INGLIS, Esq., Secretary to the Board of Revenue, Lower Provinces, to the SECRETARY TO THE GOVERNMENT OF BENGAL, Revenue Department, No. 58 B, dated 19th January 1893.

I AM directed to submit, for the information of Government, the accompanying copy of the correspondence noted in the margin,* on the subject of any action that Government may take on the currency question as affecting the position of those engaged in the opium trade.

From Messrs. A. E. J. ABRAHAM & Co., Calcutta, to the SECRETARY TO THE BOARD OF REVENUE, Lower Provinces, 11th January 1893.

WE have to thank you for your letter of the 7th instant, received yesterday, informing us that Mr. Lyall will be glad to receive any representation regarding the effect any sudden decision of Government in the currency question will have on the position of those engaged in the opium trade, and that Mr. Lyall will then decide whether anything would be gained by according us a personal interview. It has been freely rumoured that Government intend shortly taking action to prevent further depreciation of the rupee value, either by closing the mints or by the adoption of a gold standard. It is obvious that any such course would have the effect of a sudden decline in the value of silver, and any trade between a gold standard and a silver-using country would suffer a shock, the severity of which it is impossible to gauge. It is not our intention to enter into any discussion of the future trade between China and India after the adoption of a gold standard in India, or to express any opinion on the ultimate result of any financial policy Government may pursue. We simply wish to lay before the Board of Revenue a few facts and figures of the opium trade between India and China, and the value of the uncleared stocks at present in the Chinese market, and to request that, if these facts be considered of sufficient importance, the Board will lay before the authorities dealing with the exchange question the inevitable result of any sudden action of Government without timely notice.

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* Letter from Messrs. A. E. J. Abraham & Co., dated 11th January 1893.
Board's reply, No. 107 B, dated 19th January 1893.

The stocks at present in the principal Chinese markets, excluding the minor Treaty ports, are 10,200 chests Bengal opium, at Rs. 1,250 per chest, is Rs. 1,28,50,000, and 7,828 chests Malwa opium, at Rs. 1,150 per chest, is Rs. 90,02,200, making a total of Rs. 2,18,52,200.

You are possibly aware that the whole of the Bengal opium is shipped by a very few number of firms and individuals; the shippers of Bengal opium are virtually the sole exporters of Malwa and Persian opium, and, moreover, the bulk of the Indian yarn trade is in their hands; it therefere perhaps would not be amiss if we were to give the stocks and value of these commodities also :—

	Rs.
Persian opium chests at Rs. 1,100 -	23,87,803
Yarn, 35,076 bales, at Rs. 150 - -	52,61,400
Total - - -	76,48,400

The total value of uncleared stocks of opium and yarn at the present moment in the principal Chinese markets is represented by the enormous sum of Rs. 2,95,00,600, or, say, nearly three crores of rupees, the depreciation of which, in the event of the contemplated contingency, would be at the lowest computation 30 to 40 per cent., or from Rs. 88,50,180 to Rs. 1,18,00,240 at one stroke, which loss would have to be borne by the very limited number of persons engaged in the opium trade.

Under ordinary circumstances a merchant would be able to guard against a sudden liability of loss in exchange by fixing a rate with an exchange bank, but the banks are fully alive to the gravity of the situation, and absolutely refuse to fix forward any rate of exchange, being aware of the impossibility at the present crisis to cover their remittances. Exporters therefore are utterly helpless, their position being greatly aggravated by the heaviness of the stocks in China, which are unprecedentedly high owing to various trade causes.

We have made no mention of the stocks of Benares opium in the Straits and Indian yarn in Japanese ports, as we have no reliable figures to quote; but the Custom House returns and other sources show that the trade of these articles to those countries is by no means inconsiderable, and the same arguments apply to them precisely in the same way as to the trade with China.

We have no doubt Government would view with reluctance any measure which would inflict disastrous losses on the persons engaged in any trade, especially in a trade the revenue of which is of such importance to them, and that they would give full consideration to any arguments supported by undeniable facts in their deliberations of the result of any future action with regard to altering the currency.

We are not prepared to say that our suggestion of giving notice of at least three months before any alteration of the Indian currency would altogether prevent the heavy losses which we fear are inevitable, but we are confident that these losses would be greatly mitigated by giving such timely notice.

From T. INGLIS, Esq., Secretary to the Board of Revenue, Lower Provinces, to Messrs. A. E. J. ABRAHAM & Co., No. 107 B., dated 19th January 1893.

In reply to your letter dated the 11th instant, in which you deprecate any sudden action being taken by Government in the currency question as likely to affect the position of those engaged in the opium trade, I am directed to state that the Board have no information as to whether the Government of India will adopt any, or what, measures in connexion with the currency question, and are not therefore in a position to enter into correspondence with you on the subject. A copy of your representation will, however, be submitted to Government for their information.

No. 39.

The GOVERNMENT of INDIA to the SECRETARY of STATE for INDIA.

Calcutta,

MY LORD, February 22, 1893, No. 73.

WE have the honour to report that on the 31st January his Excellency the Viceroy received a number of gentlemen, representative of the various Indian services, who were desirous of bringing to his Excellency's personal notice the hardships from which they suffer, and with which they are threatened in an increasing degree, by the fall in the exchange value of the rupee.

We enclose for your Lordship's information copy of the remarks made by Mr. D. R. Lyall, C.S.I., and others of the gentlemen who were present on behalf of the services, and of his Excellency's reply. We also enclose copy of the representation from his Excellency the Commander-in-Chief on behalf of the military services referred to at the end of Lord Lansdowne's reply.

2. We have also to report that, at a public meeting held on the 27th January at the Town Hall in Calcutta in connexion with the Indian Currency Association, a resolution was adopted urging the closure of the Indian mints to the free coinage of silver. The meeting further decided that his Excellency the Viceroy should be asked to receive a deputation for the presentation of the resolution. His Excellency consented to receive the deputation, and we now, in continuation of Lord Lansdowne's telegram of the 3rd instant, append for your Lordship's information copy of the addresses of the Hon. J. L. Mackay, C.I.E., and of the other members of the deputation, and of his Excellency's reply.

We have, &c.

LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. B. PRITCHARD.

ENCLOSURES in No. 39.

Deputation of the Services.

The deputation was introduced by Mr. Justice Norris, who spoke as follows:—

May it please your Excellency,—I have the honour to introduce a highly influential deputation of European officers, thoroughly representative of all or almost all branches of the various services, civil, ecclesiastical, naval and military, covenanted and uncovenanted, serving the Crown in India.

The members of these services, indvidually and collectively, are animated by a desire to aid to the utmost of their ability the well-directed efforts of your Excellency so to govern the great Empire committed to your charge as to secure the happiness and prosperity of all classes of Her Majesty's subjects, and the permanent defence and security of the country.

The existence of any conditions, objective or subjective, which dishearten and depress Her Majesty's servants, must inevitably affect the nature and efficiency of the services; more especially will this be the case where, from circumstances over which they have no control, those servants have good and grave cause for anxiety on behalf of those who are near and dear to them.

It is the object of this deputation respectfully and earnestly to point out to your Excellency that the financial condition of Her Majesty's servants in India, caused by the utterly unexpected and ruinous fall in the rate of exchange, is disheartening and distressing to the last possible degree, and causes them the utmost anxiety for those dependent upon them; and to solicit your Excellency's powerful assistance that steps may speedily be taken to ameliorate it. A brief statement of our case will be laid before your Excellency by Mr. Lyall. Mr. Horace Bell and the Archdeacon will briefly supplement that statement by references to matters which could not conveniently be contained therein.

Address of Mr. D. R. LYALL, C.S.I., and others, and his Excellency's reply thereto.

Before laying before your Excellency the statement which I have the honour to make this day, I desire, not only on behalf of those present, but on behalf of the European servants of Government generally, to thank your Excellency for this opportunity of laying before you the state of intense despondency, or even despair, into which the European servants of Government have been reduced by the fall in exchange which has practically reduced their salaries by 40 per cent.

I hold in my hand telegrams from all the provinces of India, from Madras, Bombay, the North-West Pro-

vinces, the Punjab, Burma, Sind, Assam, and the Central Provinces, all to the same effect, which is well summarised in the Bombay telegram, which, while regretting that any addition should be made to the embarrassments of Government, goes on to say that the senders are convinced that "public interests not "less than private claims demand a solution."

I am confident that, whatever reply your Excellency may be able to give to the statements which will be made to day, the mere fact of our reception will go far towards putting fresh spirit into almost despairing Government servants, by showing them that your Excellency and the Government of India are not without sympathy with their sufferings.

With reference to a speech recently made here, we desire emphatically to protest against the charge of selfish action brought against us. None would rejoice more than we to see the necessity for special action in our case removed. But if, in the interests of the country at large, the Government of India consider it necessary to leave the currency question alone, or to fix the rate so low as to afford its European servants practically no relief, then we urge that our claims become stronger, and that an undue share of the effect of the fall in the value of silver is thrown on our shoulders.

I shall now, with your Excellency's permission, read the statement which has been prepared for presentation to your Excellency.

Statement of the Deputation.

The following was the statement submitted to the Viceroy "on behalf of the European civil and military "officers of Government, representing the distress "occasioned to them in consequence of the fall in "exchange":—

We have sought this opportunity of laying before your Excellency a plain statement of the losses and distress from which the European officers, civil and military, of the Government of India, in the departments with which we are connected, are suffering in consequence of the recent rapid and heavy fall in exchange, in the earnest hope that the Government of India may be moved to adopt measures for their relief.

The salaries of the civil and military servants of the Crown in India were fixed for the most part at a time when the rupee was worth approximately two shillings, or with this rate in view. For a long time past it has fallen below this rate. In 1872 the value of the rupee was 23⅛*d.*; to-day it is 14¾*d.*, the fall since the former year being about 8½*d.*, or 36 per cent. In recent years the fall has been very rapid and heavy, for, even as late as 1890–91, the average rate for the year was 18*d.*; and at the beginning of 1892 it was 17*d.* This disastrous fall in the value of the currency in which the officers of the Indian Government are paid has affected all branches of the Service alike. For, although the conditions of service are different in different branches, and all have not suffered in precisely the same manner or in the same degree, yet the differences are insignificant in comparison with the losses which all have suffered in common. Since 1886, when the depreciation of silver became acute, there has been a sharp and rapid rise in the price of almost all articles produced in India, including food, in the wages of servants, and in house rent. In the same period the retail price of goods imported from Europe, on which a portion of our salaries is spent, has also risen largely from the same cause; and the prices paid for them increase with each successive fall in exchange.

We do not, however, desire to dwell at length on this part of the case. We mention it in order to show that the fall in the value of silver seriously affects us, even in our expenditure in India. What we wish to press most earnestly upon your Excellency's attention is the cruel and intolerable burden which has been laid upon us in respect of that portion of our expenditure which has to be incurred at home. Your Excellency is doubtless aware that, if a European Officer, whether soldier or civilian, is to render efficient service to Government in a tropical climate, it is necessary for him to take leave periodically to England to recruit his health. If he is to give his children an education of the same stamp as he has himself received, he must send them to England to school. If he is to lay by a little money as an addition to his pension after retirement, or as a provision for his widow and others dependent on him after his death, he must be enabled to remit it to the country in which it will be spent. All these are as much the just and reasonable necessities of his position as the ability to provide himself with food and clothing from day to day. Yet it is the literal truth that, under present conditions, these moderate and reasonable requirements are beyond the reach of many, if not most, of your Excellency's European officers, and are becoming increasingly difficult for all.

We will not weary your Excellency with a long list of actual instances. A single typical case will suffice. We will take the case of an officer whose pay is Rs. 800 a month, and who has a wife and two or three children to support at home. That sum represents the pay of a Senior Chaplain, of a second grade District Superintendent of Police, and of a second grade Sub-Deputy Opium Agent; and we would explain that, on the Bengal establishment, the average length of service of the officers now in those grades is 16 years, 29 years, and 28 years respectively.

Such an officer's remittances to his family cannot, at a low estimate, be placed at less than 400*l.* a year if his children are of an age requiring education. At the present rate of exchange, that sum costs him more than Rs. 6,500, thus leaving him Rs. 258 a month for subsistence. After deduction of fund subscriptions and income-tax, he is left with less than Rs. 200 a month to live on. Even in the case of men who have been fortunate in their promotion, or who are members of a higher paid branch of the Service, and who receive pay of Rs. 1,000 a month, the sum left for subsistence in India would amount to less than Rs. 400 a month, after deductions as above. It is evident that such men cannot save; in fact, it is difficult for them to keep clear of debt. The case is still worse if the Government servant falls ill, or is for other reasons compelled to take leave. His maximum furlough pay is then Rs. 6,000 a year, which at the present rate of exchange gives him only 367*l.* a year, on which to maintain himself and his family and educate his children. It is manifest that the prospect of having to subsist on such an allowance goes far towards neutralising the value of the furlough rules in the case of European officers.

But in the Indian Staff Corps, and in most of the large Civil Departments in India, an officer of from 15 to 20 years' service seldom draws so much as Rs. 800 to Rs. 1,000 a month. After 20 years' service an officer of the Staff Corps attains the rank of Major, and receives, with allowances, about Rs. 900 per month, while as a Captain his pay up to the completion of his twentieth year of service is, with allowances, less than Rs. 600 per mensem. In the Public Works Department the rank of Executive Engineer, second grade, which is reached in about seventeen years' service, carries a pay of Rs. 800 per month. In the other principal European departments, officers of from 15 to 20 years' service are commonly in receipt of salaries not exceeding Rs. 600 to Rs. 800 per month. The condition of these services is being subjected to a complete revolution in consequence of the fall in exchange. Hitherto, an officer entering the Staff Corps, or one of the great Civil Departments, expected to retain his connexion with his own country. He expected to be able to send his children home to be suitably educated; to take furlough to England from time to time for the sake of his health, and also to visit his relatives and family; and, finally, to save a part of his pay, which, added to his pension, would enable him to live in comparative comfort after retirement. These just and reasonable expectations are now defeated. It is now utterly impossible for many officers, even those who have been fortunate in their promotion, to afford the expense of educating their children at home. Every year men are being driven in increasing numbers to send their sons and daughters to hill schools, to deny themselves and their wives the advantage of a periodical visit to their own country, and to relinquish all expectation of saving a little money to eke out their pensions when they retire. Year by year it is becoming plain that a larger and larger proportion of the men who accept Government service in India must abandon the hope of ever returning home. They must be content to settle permanently in India; while their children, receiving an inferior education and brought up amid un-English surroundings, sink to a lower social level, and swell the mass of the unemployed white population, whose growth is already a source of grave anxiety.

It is impossible to look for the indefinite continuance of faithful and contented work, when the workers are placed in a position of anxiety and embarrassment deepening into despondency. There is happily as yet little cause to fear that any of those whom we represent may be led to fall away from the high standard of which both the Indian Government and its servants are justly

proud. But your Excellency will, we are assured, be alive to the necessity of placing even the humblest of your European officers beyond the reach of temptation. And, as it becomes more generally known that, to the disadvantages inseparable from an Indian career, there must now be added the prospect of poverty so great as to involve the possible severance of home ties, it can scarcely be doubted that Her Majesty's Secretary of State will find it increasingly difficult to obtain fresh recruits for the Indian Services of the same stamp as at present.

Officers of the Civil Service and the Staff Corps are now beginning to find that their pensions after retirement, which are fixed in sterling, are worth almost as much as their salaries during active service, which are payable in rupees. These officers have thus every inducement to retire as soon as they have completed the minimum period of service required by the rules, thereby prematurely swelling the pension list, and impairing the efficiency of the public service by the early withdrawal of experienced officers still capable of active work.

Distressing as is our condition at present, and without prospect of amelioration, unless your Excellency intervenes in our behalf, we dread that it may become even worse in the near future. The fall of silver has been far more rapid during the last five or six years than in the preceding period, and there are indications that it will soon be still further accelerated, and our condition go from bad to worse with each month that passes.

We pray your Excellency to take these matters into your favourable consideration, and secure for us such an adjustment of our salaries as will make them not less valuable to us than they were intended to be when they were fixed. In Ceylon, we understand that the pay of the civil servants of the Colony was fixed several years ago at the rate of 1*s.* 10½*d.* to the rupee. We do not wish to define the precise form in which similar assistance might most suitably be granted to Her Majesty's Indian servants; but would beg your Excellency to believe that we have not exaggerated our distress, and to grant to us the fullest measure of relief, in such manner as your Excellency's advisers may think fit.

Public Works Department.

Mr. Horace Bell addressed his Excellency on the part of the Public Works, Telegraph, and other Departments. He said:—

I beg your Excellency's permission to add a few words to the representations made by the previous speakers, from the point of view of the officers of the Public Works and Telegraph Departments, and of other less prominent but important branches of the public Service.

The Public Works Department, in which I have had the honour to serve for over 30 years, is, as your Excellency is aware, a very large one, and is both a great spending and revenue-earning department of the State.

It is officered by both civilians and military men, whose education has been very costly, and among whom are men of high standing in the profession. We can justly claim, my Lord, that our share as engineers of the task of re-making India has been a prominent one, and we may, I venture to urge, as fairly claim that our record is good, and that the spirit of devotion and of integrity is still unimpaired. But, my Lord, the strain, the distress, owing mainly to the loss in exchange, is too severe, and we earnestly beg you to relieve us from it.

My Lord, I have, in my position, exceptional opportunities of seeing the work and surroundings, and of gauging the temper of the men of my own and other departments over the whole country, and I say unhesitatingly that we have reached a condition of things which, unless promptly rectified, may result in a complete transformation of the character of our English employés. I have received many communications giving instances of the great hardships which men are suffering under in every branch of the Service, but the limited time at my disposal will only permit me to quote a few typical cases. I would mention the case of a senior officer in the Public Works, who controls a large staff on a very important work, which is to cost over three millions sterling. His family remittances, which I have ascertained are not unusual or unreasonable, absorb, at the present rate of exchange, so large a portion of his salary, that he is himself at present obliged to try to live on an income of not more than Rs. 300 a month, or say, 230*l.* a year, and is consequently drifting into debt. Another prominent and typical case is that of an officer in high position in the Educational Department, who, for the same reasons, after sending home his family remittances, has been trying to live on Rs. 217 a month.

I have some painful cases from the Telegraph Department of the same nature, in two of which men who, unfit from ill-health to do adequate service, are simply unable to go home to recruit, owing to the heavy incidence of family remittance. I have other instances where, in order to meet the immediate wants of their families, men have been obliged to withdraw their subscriptions to provident funds and cancel their insurance policies, while the case of the widows and families of those who subscribed for rupee pensions and insurances for them is really deplorable. It comes to this, my Lord, that the children of many a man who has done yeomen's service for this country must now, and for no fault of their fathers, face the inevitable pains and penalties of genteel pauperism.

With such prospects constantly before us, it is difficult, it is almost impossible, my Lord, to give that single-minded attention to the interests of the State which should be our highest aim as public servants.

Case of the Clergy.

The Venerable Archdeacon MacCarthy then stated the case for the Clergy, as follows:—

The Chaplains number between 160 and 170 in all, including about 12 Chaplains of the Church of Scotland. And I venture to state that no body of officers in the public Service have felt the hardships caused by the fall in exchange more acutely than it has been felt by Chaplains. For they have not even the prospect before them of increased pay during the later years of their service to take the sting out of the immediate pressure of narrow means.

Chaplains are now on probationary service for three years, on Rs. 400 per mensem.

Then they become Junior Chaplains on Rs. 500 a month. After 10 years in this class, they become Senior Chaplains on Rs. 800 a month, and there is no further possibility of increase in their pay.

Most of them are married, and many of them have families in England to maintain and educate.

A Junior Chaplain cannot possibly remit a yearly sum adequate to the maintenance and education of, say, two children, at the present rate of exchange.

A Senior Chaplain who has, say, a wife and two children in England, cannot remit for their use a sufficient yearly sum to secure for them anything like a tolerably comfortable home, and for his children even a second-class education, without surrendering such a proportion of his pay as must leave him in circumstances which may fairly be described as circumstances of poverty, while he has to remit at current rates of exchange.

Many of the Chaplains are now endeavouring to keep up appearances and to do their work, under the pressure of such circumstances, and deprived of many of the alleviations which make work in India tolerable.

Considering the relatively late age at which Chaplains enter the Service, the strictly limited prospects before them of increased income or pension, the antecedents and education of most of them, it is submitted that their appeal to the Viceroy for help in this matter of the grievous loss of income under which they now suffer strengthens the whole case of the public Services laid before His Excellency, and that it does this by bringing under His Excellency's notice especially their own acutely trying position.

The Viceroy's reply.

In reply, His Excellency the Viceroy said:—

Gentlemen,—You represented to me a few days ago that it would be agreeable to you to meet me, and to lay before me a statement of the manner in which the European officers serving the Government of India in the departments with which you are connected had been affected by the recent fall in exchange. I saw no impropriety in acceding to your request. The regulations of the Service, it is true, forbid combinations among the employés of the Government. In this case, however, I felt that it was clearly for the general advantage of all concerned, including the Government of India, that I should give you an opportunity of explaining to me by word of mouth the grievances set forth in your memorial—grievances which, I am glad

to say, have been borne by those on behalf of whom you have spoken with much dignity and patience.

I do not propose, upon this occasion, to examine in detail the statements which you have laid before me. It is not material to discuss whether any portion of your representations appear to be entitled to more or to less weight than the rest. The only point upon which I am called upon to express an opinion to-day is your main proposition, that in which you affirm that the European officers of the Government of India, as a body, have been heavy losers by the recent fall of exchange, and that their loss has been so heavy as to render the position of some of them one of the most extreme difficulty and distress. That position you have certainly made good, but, when I say this, I should like to add my assurance that it did not need the powerful arguments which you have adduced, in order to convince me that the fall in the gold value of the rupee has been the cause of very great suffering to those of our officers whose emoluments are drawn in rupees, and whose liabilities are, to a considerable extent, due in sterling, to have shown conclusively that many of those liabilities are of a kind which they cannot avoid, except at the cost of very cruel hardship to themselves, or—and it is no doubt this that they feel most keenly—to those nearest and dearest to them.

I am concerned not to dispute or to minimise the extent of that suffering, but to convince you, if I can, that the Government of India is not indifferent to it, and that it is our sincere desire to deal fairly with you in regard to this most momentous question.

Now, I am anxious to make this point good, because I have seen it stated that our attitude has been one of carelessness, and that we have been sitting with our hands folded at a time when we ought to have been bestirring ourselves actively in order to redress your wrongs. In reference to this part of the case, I should like to touch briefly upon the history of the matter since I have had to do with it.

I arrived in India at the end of the year 1888. Throughout the whole of the year 1889 the gold value of the rupee remained almost stationary. On the 1st of January it was 1*s.* $4\frac{7}{16}$*d.*; at the end of the year it was 1*s.* $4\frac{15}{16}$*d.*, and the fluctuations during the intervening months were inconsiderable. In the following year the upward movement of exchange commenced, the rupee rising from 1*s.* 5*d.* in January to 1*s.* 8*d.* in September. During the summer months it advanced so rapidly that it must have been obvious to us all that speculation had something to do with what was taking place. A downward movement declared itself towards the close of the year, and continued throughout 1891, although the fall was not rapid. At the end of 1891 the rupee stood almost exactly where it did at the beginning of 1890. The average rate for 1890-91 was, as you have pointed out, 1*s.* 6*d.* Taking these three years, we may say that we had, first, a year of slack water, and then, in the two years which followed, a rise, succeeded by a fall almost exactly equal to the amount of the rise. It was not until the spring of 1892 that we found ourselves face to face with a collapse more serious than any which had yet taken place. Since then the tendency has been steadily downward, the rupee has touched the lowest point yet recorded, and the prospects of a material recovery are certainly remote.

I dwell upon this, because I wish to show you that, in so far as I have been concerned with this question, up to the last few months the situation contained some hopeful elements, and it is, therefore, as to the attitude of the Government of India since the last rapid and heavy fall declared itself that you have, I think, a special right to ask for some explanation.

Now, in the first place, you will remember that by the beginning of the year 1892 we were already aware that an International Monetary Conference was to meet for the purpose of considering the whole question of the currency of the world. Many of us were, I am afraid with too much reason, not very sanguine as to the results of the Conference. The decision of Her Majesty's Government to take part in it showed, however, that it was within the bounds of possibility that some measures of international efficacy might be resorted to for the purpose of rehabilitating silver. The Government of India were, at any rate, bound to take the Conference seriously, and we bestowed much thought and care upon the selection of our representatives, and upon the instruction with which they were authorised to take part in the proceedings. The investigations of the Conference were, however, not the only investigations in progress as to this question. In September the Secretary of State decided to appoint an English Committee, presided over by Lord Herschell, for the purpose of examining the Currency question as it affected India. The enquiry entrusted to Lord Herschell's Committee was evidently intended as a serious attempt to grapple with the question, in so far as it affected us, and I think you will agree with me that, while that Committee was still sitting, it would have been impossible for us to attempt a permanent settlement of questions depending upon the future of exchange. Lord Herschell's Committee has until quite lately been engaged in taking evidence, and we have not yet learned the conclusions to which it has come, or the action which the Secretary of State is likely to take in consequence.

But you may ask me, why could you not, without committing yourselves in regard to a permanent settlement of the question, adopt some temporary measure for the purpose of diminishing our difficulties? That, gentlemen, is a question which, I can assure you, was considered, and considered with the utmost care, by the Government of India. We had, however, to bear in mind that even a temporary measure would raise most difficult issues and require the most delicate adjustment, that such a measure could not fail to be a costly one; that in order to provide the necessary funds we should have had to disturb the whole of our financial arrangements for the year 1892-93, arrangements which had been made before the last great fall in exchange had declared itself; that we might possibly have been driven to resort to additional taxation, a step which would obviously have been most objectionable for any temporary purpose. Finally it was conceivable that the enquiries which were proceeding in Europe would result in a state of things which might render relief unnecessary.

It was for these reasons that we did not come forward with any proposals of a temporary character. I hope, however, that you will not suppose that, because no such measures were put forward, we had dismissed the whole matter from our thoughts. Nothing could be further from the truth. In June of last year we directed the attention of the Secretary of State to the distress caused to our European officers by the fall in the sterling value of the rupee, and we pointed out that, if the present conditions continued, it would, in our opinion, be inevitably necessary to take steps for the purpose of mitigating the sufferings of our officers. About that time we were sending home memorials from members of the services by every Mail.

Three months later, in September of the same year, we again called the Secretary of State's notice to the fact that the distress of our officers was very severe; that it extended to every branch of the Service in which Europeans were employed; and that we regarded with grave apprehension the consequences which would result to the administration, if we were to allow the existing difficulties to continue without attempting to apply a remedy. We even went the length of examining some of the proposals which had been made to us, with a view of alleviating these difficulties; and, while we refrained, for reasons of the kind which I have just given, from making any recommendation for the immediate adoption of remedial measures, we expressed a strong opinion that, unless a substantial rise in the gold value of the rupee were to occur, we should find it necessary to propose some measures of relief such as those which we had mentioned to his Lordship.

And, gentlemen, I may observe that I have myself, in all my communications with the Secretary of State, lost no opportunity of representing to him, in the most emphatic terms, my strong sense of the very grievous hardship to which the services were being subjected.

I am bound to add that I am left in no doubt of the sympathy with which Her Majesty's Government regards your case, and it is, I have no doubt, as an indication of that sympathy, that Lord Kimberley has recently authorised the payment of furlough allowances, pending any action which may be taken as the result of Lord Herschell's enquiry, at the rate of 1*s.* $4\frac{3}{4}$*d.*, so as to relieve the recipients of those allowances from the effects of the heavy additional fall which has taken place since the commencement of 1892.

Gentlemen, I trust that I have said enough to show you that we are certainly not chargeable with indifference in this matter. Our suspense will, it is to be hoped, not last much longer. The Monetary Conference has now adjourned without coming to any decision. We have yet to know what course the Secretary of State will adopt in consequence of the report which he will shortly receive from Lord Herschell's Com-

mittee; but, whatever may be the purport of that report, whatever may be the decision of Her Majesty's Government, we here are profoundly convinced that we cannot ask those on whose behalf you have addressed me to tolerate for an indefinite period the distress which they have borne with so much self-command for some time past. Even if we could regard their case coldly and cynically, even if we could remain unmoved by the sufferings which they have experienced, we could not, as men of business, conceal from ourselves the fact that good service is not to be had for bad pay, and that we cannot expect an official whose thoughts are constantly pre-occupied by domestic anxieties, such as those which you have described, to approach his official work with the spirit, vigour, and alacrity necessary to its efficient performance. But, gentlemen, I trust that you will not suspect us of considering this question from so heartless a standpoint. We feel that it is to your cordial co-operation that the successful working of our Indian system of administration has been due in past years, and it is a source of poignant regret to us to know that your arduous duties have of late been discharged under conditions so trying and mortifying as those to which you have in too many cases been subjected. It would be a grave misfortune for India if, in years to come, the service to which you belong were to be discouraged by the inadequacy of its remuneration, or if the same class of men by which it has hitherto been filled were no longer to be attracted to its ranks.

I have endeavoured to show you that we have not been unmindful of your interests during the period of suspense through which we have been passing, and I trust that the time may be approaching when we shall be able to meet in a just and reasonable manner the claims which you have so temperately preferred.

I ought, perhaps, to add that, when it became known that I was to receive this deputation, a question arose whether it should include representatives of the military officers employed under the Government of India. It was felt, however, that the hardship which they have suffered in common with you could be most appropriately explained by the Commander-in-Chief as head of the Army, and I am able to tell you that I have received from Lord Roberts a statement, closely according with yours, in which His Excellency has earnestly pressed upon us the necessity of taking early steps to remedy the grievances of the military services.

Note by His Excellency the Commander-in-Chief in India, on the hardship caused to Military Officers in India by the fall in the exchange value of the rupee.

The officers of the army have, hitherto, with the exception of a few who have submitted memorials on the subject, refrained from pressing on the attention of Government the hardships which they, in common with other official classes in India, have suffered from the gradual depreciation of the rupee. This inaction is not due to want of interest in a question that affects them and their families so vitally, but is to be ascribed to a feeling that something will eventually be done by Government for their relief, and also to a sense of discipline, which has prevented them from approaching Government with a representation of their personal grievances.

It seems to me fitting that I, as the head of the Army in India, should take the present opportunity of placing before the head of the Government a brief summary of the position in which the majority of military officers, especially those of the Indian Service, now find themselves, and of recording my conviction that, unless remedial measures are promptly adopted, the character and efficiency of the Service will be injuriously affected.

I propose to take the position of the married officer first. In former days the officer who had spent his life in this country had a preferential claim to the nomination of his sons to the various departments of the Indian Service. Of late years, however, the only means of entering the public service has been by open competition, and the expensive education consequent on this change of system fell heavily on the resources of the Indian officer, even when the rupee was at par. With the rupee at 1*s.* 2¾*d.* the difficulty of providing for this item of almost obligatory expenditure has very largely increased.

The necessity, or at any rate the extreme desirability, of educating his children in England also compels the Indian officer to find a home for them in that country. In many cases he has no relations to undertake their care and management; and, as strangers cannot be induced to accept such responsibilities without profit to themselves, it follows that his purse is again heavily taxed to meet this requirement.

While his children are being educated at home, the officer has to keep up his establishment in India in a manner befitting his rank and the profession to which he belongs.

I will now quote figures in support of the foregoing remarks.

Taking the case of a Major who is second in command of a Bengal Infantry Regiment, his pay and allowances amount to Rs. 910 a month, not including the contract allowance of Rs. 85 for his wing command, the profit from which, if any, is so small that it need not be taken into account. Out of his Rs. 910, he has to pay toward family pension funds a sum which varies according to the official rate of exchange and number and sex of his children. This year his monthly subscription for wife, two sons, and one daughter, would amount to Rs. 40.8; income tax amounts to about Rs. 20. This leaves him a net balance of about Rs. 850.

Even with the most rigid economy, he is unable to support himself on less than Rs. 300 a month. This includes mess bills, house-rent, subscriptions to mess, band and regimental institution, upkeep of charger, uniform and camp equipage, pay of servants, and the numerous incidental expenses which increase the cost of living in India. This leaves Rs. 550 per mensem for the maintenance and education of his family in England.

The official rate of exchange for the ensuing financial year has been fixed at 1*s.* 2¾*d.*, and presumably the market rate will be somewhat lower. At the official rate the sum of Rs. 550 represents 33*l.* 16*s.* a month, or say 406*l.* per annum; consequently this is the largest sum which an officer of the rank I am considering can hope to send home, after practising the most painful self-denial himself in India, and, indeed, barely living up to the requirements of his position. Even then, I think, it will be conceded that 400*l.* per annum is but a scanty provision for the purpose for which it is intended.

In making this calculation I have assumed that the married officer with a family regards it as his duty to educate his children at home or on the Continent. In many instances, however, he now finds it impossible to do so without getting into debt, and he has therefore to choose between exceeding his income (which from the circumstances of the case is a precarious one), and depriving his children of the advantages of an education out of India at an age when it is most beneficial to them and most conducive to their future welfare.

It is, moreover, a reasonable and proper desire on the part of the married officer, especially if called upon to serve in such a climate as that of India, to put by money for old age and to make additional provision for his family by insurance; but, at the present rate of exchange, he cannot hope to do either the one or the other.

Again, when the officer is obliged to take furlough to England, either from ill-health or on account of private affairs, he raises the necessary funds with the grea est difficulty, and often has to content himself from sheer poverty with a second-class passage in the company of servants and persons of inferior social rank.

I would here bring to notice that within the past few days the leading steamship companies have raised their rates of passage money from India, thus adding to the officer's difficulties in this respect.

Pecuniary embarrassment also prevents many officers from taking the furlough to England which is due to them after a long service in India, and which is often very desirable for the maintenance of their health, and, therefore, for the satisfactory performance of their duties. The neglect of this precaution may not seem of much importance at the time, but, when it is continued for several years, and applies to many officers, the consequences affect the *morale* and well-being of the whole army.

The case of the married officer in the Native Cavalry is as hard as, if not harder than, in the Native Infantry. He gets Rs. 30 a month more than his Infantry comrade, but the upkeep of his horses, uniform, and equipments, is proportionately higher than the increase of his pay.

Married officers below the rank of Major, and below the position of second in command, have even a harder struggle, into the details of which I need not enter, although they are too painfully apparent to those who have witnessed or have to undergo them.

Young officers who have not married find great difficulty in keeping up their position properly from

the depreciated state of the rupee. Most of their uniform and equipment comes from England, military outfitters at home supplying, as a rule, better and cheaper goods than similar firms in India. But, whether the articles are obtained from England or India, the increased cost falls on the purchaser; in the one case, by the conversion of rupees into English currency, and, in the other, by the enhanced prices charged by the Indian outfitter to protect himself from loss.

The regulations for remitting money through official channels from India to England permit of remittance being made solely for the benefit of certain specified relatives of the remitter. He is unable to send home, at the more favourable official rate of exchange, money to pay his debts there, because such remittances would be for his own personal benefit.

These rules might, perhaps, be relaxed in cases where it can be clearly shown that the remittance is intended to pay for uniform or to meet other necessary military expenses.

The only complete remedy for the hardships I have alluded to is either the restoration of the rupee to its par value, or the augmentation of officers' salaries proportionately to its depreciation.

Should the present state of affairs continue, or become worse, I have grave reason to apprehend that the *morale*, the position, and the general efficiency, of the officers of the army in India will be seriously affected.

Deputation from the Indian Currency Association.

Address of the Honourable Mr. J. L. Mackay, C.I.E., and others, and his Excellency's reply thereto.

After having introduced the Deputation, Mr. Mackay said:—

"May it please your Excellency, we have the honour to come before you as a deputation, appointed at a meeting held in the Town Hall, Calcutta, under the auspices of the Indian Currency Association, on 27th January 1893. The meeting referred to consisted of about 700 people, comprising representatives of all branches of trade and commerce and manufactures in this city, and representatives also of the landed interest in the country, and of all the branches of the public service.

"At that meeting the following Resolution was proposed by the President of the Indian Currency Association, seconded by Mr. R. D. Mehta, Sheriff of Calcutta, member of the firm of Messrs. D. B. Mehta & Co., merchants and cotton spinners in this city, and carried unanimously:—

"It is now generally recognised that, with the dispersion of the International Monetary Conference, the hope of united action has disappeared, and that further argument and delay merely mean waste of time.

"The United States are preparing to cease their purchases of silver, and it may be anticipated that the gold value of the rupee, which has within the last twelve months fallen from 1*s.* 5*d.* to 1*s.* 2¾*d.*, will soon further rapidly decline.

"It is known that for years past it has not been possible for the Government of India to meet the increasing cost of its sterling obligations, except by the imposition of new and objectionable taxes, and that the heavy fall of the rupee in 1892 has brought the finances of the country into a critical position, making further oppressive taxation apparently inevitable.

"Moreover, the impecunious position of the Government is retarding the development of the country, and the uncertainty regarding the Indian standard of value deters capitalists in England from investing their funds in Indian enterprises.

"The present tension and uncertainty and the prospect of the immediate future have a most injurious effect on all merchants and traders, by paralysing the legitimate commerce of the country in all its branches, and trade as a consequence is almost at a standstill.

"It is therefore resolved that this meeting is of opinion:—

"1. That no justification exists for the continuance of the policy of inactivity in regard to the Indian currency system which has unfortunately for so many years guided the Government of India.

"2. That, the International Monetary Conference having failed in its objects, the Government of India should at once close the mints to the free coinage of silver as the first step towards establishing the gold standard and putting the currency on a stable basis, and this meeting therefore strongly urges upon the Government of India the necessity for adopting this course without further delay."

That Resolution having been passed, it was felt that its importance was too great to admit of its being sent to the Government of India in the ordinary way, and the following further Resolution, proposed by Mr. N. H. T. Becker, of Messrs. Ernthausen & Co., and seconded by Mr. W. O. Bell-Irving, of Messrs. Jardine, Skinner, & Co., was carried unanimously:—

"That the following gentlemen be appointed a deputation to present the resolution just passed to His Excellency the Viceroy:—

"His Highness the Maharaja of Bettiah, K.C.I.E.
"Maharaja Sir Narendra Krishna Bahadur, K.C.I.E.
"Honourable Syed Ameer Hossein, C.I.E.
"Baboo Ramanath Ghose.
"Nawab Abdool Lutif, Khan Bahadur, C.I.E.
"Nawab Mir Muhammad Ali.
"Prince Muhammad Bukhtyar Shah.
"Mr. R. D. Mehta, of Messrs. D. B. Mehta & Co.
"Babu Nalin Behari Sircar, of Messrs. Kerr, Tarruck and Co.
"Mr. W. T. Spink, of Messrs. Thacker, Spink, & Co.
"Mr. Reginald Murray, Chartered Mercantile Bank,
"Honourable A. H. Wallis, of Messrs. Manton & Co.
"Mr. L. Pugh, Barrister-at-law.
"Mr. G. Irving, of Messrs. T. E. Thomson & Co.
"Mr. W. J. M. McCaw, of Messrs. Kettlewell, Bullen, & Co.
"Mr. S. Keith Douglas, of Messrs. Carlisles, Nephews, & Co.
"Mr. D. W. P. King, Delhi and London Bank.
"Mr. E. Henry, of Messrs. Blackwood, Blackwood, & Co.
"Mr. N. H. T. Becker, of Messrs. Ernsthausen & Co.
"Mr. W. O. Bell-Irving, of Messrs. Jardine, Skinner, & Co.
"Mr. J. A. Anderson, of Messrs. Anderson, Wright, & Co.
"Mr. J. F. McNair, of Messrs. Begg, Dunlop, & Co.
"Mr. A. G. Apcar, of Messrs. Apcar & Co.
"Mr. J. L. Mackay, of Messrs. Mackinnon, Mackenzie, & Co."

In the first place we have to thank your Excellency for having graciously consented to receive this deputation, and to hear what we have to urge in support of the reform of the currency system of India which we advocate.

This deputation represents merchants, traders, shipowners, bankers, landowners, producers, manufacturers, importers, and exporters. The merchants represent those who are engaged not only in trade with gold-using countries, but also in trade with silver-using countries and in local trade.

The proposal to change the standard of value in India is not a new one. Precisely what we propose was strongly urged upon the Government of India as far back as 1878, when it was found that the link between gold and silver had apparently been irrevocably severed. The Government of India at that time threw out the proposal, because it clung to the hope that International bimetallism would be adopted, and that thereby India would be extricated from her difficulties.

The Government of India have therefore had ample time to consider this question, not only with reference to India, but also with reference to other countries. What we propose is no leap in the dark, because it has been adopted by numerous other countries whose object was to save themselves from the embarrassments and dangers which have overtaken India. I would here mention that France, Spain, Italy, Switzerland, Belgium, Greece, and Holland, closed their mints to the free coinage of silver in 1873. The United States had done so previously, and the gold standard was adopted by them all and by Germany, Sweden, Norway, and Denmark, while Austria-Hungary has lately passed a law following this example. In 1878, the gold standard was also adopted by Java.

The Government of India have had the experience of all these countries to contrast with their own bitter experience of the past 15 years, and must be in a position to form their conclusions as to whether it would not have been to the advantage of India in the past, and whether it is not likely to be to the advantage of India in the future, to change its standard of value from silver to gold.

We approach your Excellency at this time, in the first place, because the Brussels Conference has hopelessly failed, not only to bring about bimetallism, but

even to secure international agreement on subsidiary measures for the increased use of silver as money; in the second place, because Lord Herschell's Committee has now had ample time to consider the question in all its bearings; in the third place, because the fall in silver which has already taken place has brought the finances of the Government into a perilous position, and has restricted and embarrassed the trade of the country to such an extent as to create an almost unparalleled state of commercial depression; and, lastly, because it is clear from the course of events in America that the decline in the value of silver which has taken place in the past twelve months will be followed by a still further fall which cannot but aggravate the dangers already facing us.

In March 1892, the Budget estimated for a small surplus for the current year. The fall in exchange must have swept away this amount and added at least 150 lakhs to the expenditure of the Government of India.

This additional expenditure must be met either by increased taxation or by the restriction of railway construction and other public works, thus hampering and checking the country's progress, or by both, and the mercantile community will regard the adoption of either of these courses at such a juncture with the greatest dissatisfaction.

In the meantime we observe that the European servants of the Government of India are not unnaturally pressing for an adjustment of their emoluments owing to the depreciation in silver, which, if granted even in a limited degree, must considerably increase the already heavy burden now imposed on the general tax-paying community.

My Lord, we freely confess to a strong feeling of sympathy with the servants of Government, who find their incomes daily dwindling, and who, in consequence, are in some cases put to severe straits, such as are calculated to do serious injury to the efficiency of the administration. We realize, in fact, that it will be absolutely impossible for Government to carry on the administration on the present terms. We are strongly convinced, however, that the adjustment of salaries and all other adjustments can only be properly effected by the reform of a currency system which has gradually, but with increasing rapidity, brought the country to the present pass.

The demand for a reform of our currency system is now made by the producing, commercial, trading, and non-official classes in India, with as unanimous a voice as it is possible to get on such a subject. When the remedy was first proposed, a certain number of people expressed indifference, while others expressed disapproval. It may be safely said that some of those who were formerly indifferent are now with us, while a number of those who were previously in opposition would now be glad to see something done. No better evidence of this need be looked for than is to be found in the words which the Chairman of the Bombay Chamber of Commerce is reported to have addressed to the members at the annual meeting held this week. The Chairman said: "I have taken an unpopular line, "and belong to the minority who do not approve of "action—not because I would not like to see the value "and stability of the rupee improved, but because I "think no remedy has yet been suggested which, if "tried, would not probably land us and the country "generally in much greater trouble than we are in "now. Our opponents taunt us with being content to "pursue the policy of drift and other evil courses, but "we cannot help this, and I am sure that, if any of "their suggestions are tried and prove successful in "accomplishing the end desired, we shall be quite "ready to own ourselves wrong and to congratulate "them."

My Lord, we feel that, without any agitation for the reform of the currency system of India, the change which we advocate must, by the sheer force of circumstances, sooner or later be introduced. We feel assured that without any outside pressure the mints of India must eventually be closed to the free coinage of silver. All that we hope to do is to expedite the measure, relieve ourselves from the present highly unsatisfactory state of affairs as speedily as possible, and induce the Government to adopt the change without waiting for the financial crash which will eventually force the reform.

Mr. W. O. Bell-Irving, of Messrs. Jardine, Skinner, and Co., said:—

May it please your Excellency, the currency question has been so fully discussed of late in all its bearings, that I feel it would be a mere waste of time on my part to do more than touch very briefly on a few points on which, as one directly interested, I can speak with a certain amount of authority.

It has been contended that the closing of the Indian mints to the free coinage of silver will seriously curtail trade between India and China; that such is not the opinion of Mr. Apcar and myself, who represent the only existing direct lines of steamers between Calcutta and China, and are otherwise interested in the trade between the two countries, will be apparent from the fact that we are both members of the deputation now before you.

A petition was recently presented to your Excellency by various parties interested in tea in the Darjiling District, in favour of a continuation of masterly inactivity as regards the currency question. In reply it was very properly pointed out that, in an important matter of this kind, Government had to consider the general weal of the country and not merely individual interests. Whatever policy in connection with the currency may be adopted in India must, I take it, of necessity come into force in Ceylon, so that the issue, as far as tea is concerned, is virtually India and Ceylon *v.* China. No doubt exists in my mind with which side victory will eventually rest. In this connection, figures, dry though they generally are and misleading as they some times prove, are instructive. In 1881 the export of tea to the United Kingdom was:—

	lbs.
China - - - -	142,706,457
India - - - -	47,413,576
Ceylon - - - -	697,268

while in 1891 it stood thus:—

China - - - -	69,394,523
India - - - -	111,168,895
Ceylon - - - -	63,744,987

The tea-drinking public at home have got accustomed to the strong pungent liquor of the Indian teas, and it is very improbable that the comparatively weak flavourless China teas will again come into favour.

These latter teas are, moreover, handicapped by having to pay lekin and other recognised duty in China, to the extent of about 4¼ taels per picul, equivalent to, say, 1½*d.* per lb. It is notorious besides that various squeezes, if I may be allowed to use the term, exist, as to the extent of which the petty officials in China are in a better position to express an opinion than I am.

There is yet another side of the question, and a very important one too, that the said petitioners appear to have overlooked. Investments in tea in this country have almost without exception sooner or later to be realized and remitted to Europe. Will the holder of a share in a tea garden or an investor in tea scrip appreciate a policy of drift, if it result in his having to remit the proceeds of his investment at an exchange of, say, 10*d.*? I trow not! It may be argued that the rupee is never likely to decline to 10*d.*, but not so many years ago most people would as confidently have affirmed that there was no chance of the rupee touching 1*s.* 2½*d.*

If any class have benefited from the depreciation of the rupee, it ought to be the ryots and through them the zemindars, and I am not prepared to contend that in certain respects they have not; but, as representing over 3,300 square miles of land in Lower Bengal, held by my firm directly or as agents, mainly in putnee or perpetual lease, I feel very strongly that, at the time the perpetual settlement was made, it was never contemplated by Government that the land revenue should be paid in such an unstable coin as the rupee has proved to be, and that, if action be not taken to arrest the downward tendency, increased taxation is inevitable. My Lord, what is wanted to develope India is capital: to open out railways, start industries throughout the breadth and length of the country, and bring the large tracts of virgin waste land which still exist into cultivation. So long as the value of the rupee is an unknown quantity, the flow of capital into India will be checked. Let the value of the rupee be fixed, and money which is a drug in the London market at 3½ per cent., will be available in India in abundance; and, if this country with cheap labour, and in many cases raw material on the spot, and markets at the door, cannot with exchange, say, at 1*s.* 6*d.*, hold its own, then the outlook from a commercial point of view is indeed gloomy.

Mr. J. A. Anderson, of Messrs. Anderson, Wright, & Co., said:—

Your Excellency,—Two years ago there was a vague, general idea among our merchants that India was greatly benefited by the depreciation of the rupee, and that, the lower it went, the more prosperous it would be. There was one little difficulty that at times made people doubt whether they were quite right, and that was when they followed the argument to the end and found that, if the rupee became of no value at all, then we should have reached the height of prosperity. As we have grown wiser, the absurdity of the whole theory has become too apparent, and I doubt if it now finds a single honest supporter. Those few who oppose the reform of our currency do so under the plea of believing in universal bimetallism, and thinking that India would benefit more by this than by any independent action. They avoid all details of their objections, and have no suggestions as to the means by which the deficit in the financial position of Government is to be met. They only say they prefer to see the ills we are suffering from continue, rather than that their own pet scheme should fail.

An admirable letter in the "Englishman" of 30th ultimo, under the well-known initials "A. M. L.," most effectually disposes of the obsolete argument that Indian exports benefited greatly by a depreciating currency. The writer says:—

"The average exports of the years 1866 to 1870 are compared with the averages of 1886 to 1889, all values being expressed in sterling. The result is as follows:—

Indian trade shows an increase in the 20 years of only	-	24 per cent.
Mauritius, a decrease of only	-	6 ,,
Ceylon, another rupee-using colony, a decrease of	-	21 ,,

Whereas the gold standard countries in a position to be compared with India show all substantial increases, *e.g.*:—

Canada	-	90 per cent.
The United States	-	161 ,,
Australia	-	174 ,,
Cape of Good Hope	-	227 ,,

"It may be said that the East is more lethargic than the West or South, so I have looked up the trade statistics of Netherlands India in the 'Statesman's Year Book.' I have taken the aggregate foreign trade of British India and Netherlands India for the year 1868 to 1871 and 1886 to 1889, and, converting guilders into sterling for both periods at the fixed rate of 12 per 1*l.*, and rupees into sterling at the rate of 1*s.* 11*d.* for the first period and 1*s.* 4½*d.* (the average rates) for the second period, I find that, whereas British India shows an increase of 21 per cent. only, Netherlands India shows an increase of 174 per cent."

Another favourite fallacy is that silver values have not altered in India. The largest crop in India is the Bengal rice crop. It is estimated by Dr. Watt at 15 millions of tons; and, as only some 300,000 to 500,000 tons are exported, it is evident that it constitutes the chief food of the people of this province. If we take as a basis of price the description called ballam, we find that, whereas, before the rupee began to fall, the value ran from Rs. 1·10 to Rs. 2 per maund in an ordinary season, in the past two years, with fairly good crops, the price has been Rs. 3·8 to Rs. 4·4 per maund, while kasarie and similar cheap grains used by the very poorest people have gone up from As. 8 to As. 12 per maund to Rs. 1·8 and even Rs. 2 per maund. That incredible hardship is thus caused to the wage-earning classes cannot be doubted, and, if a further fall in the value of the rupee takes place, the price of food must be forced up still further. It is doubtful if any other people on the face of the earth would have remained quiet under such an enormous rise in the price of food, coupled with a steadily increasing taxation, but Government must know that there is a limit beyond which this *laisser faire* policy must be disastrous, and it will do well to make an end of the situation before trouble does come.

The Indian Currency Association advocates a plan for putting the finances of the country on a safe basis, and allowing the adjustment of wages and food prices. These matters are essential to the well-being of the country, and to disregard them any longer will be to lose our reputation for honestly governing this mighty Empire.

The Hon. Mr. Wallis, of Messrs. Mallon & Co., said:—

Your Excellency—The statement just made by the Honourable Mr. Mackay leaves me but little further to say on the general question of the urgent need felt by all classes and sections of the community of India for the prompt reform of our currency system. Your Excellency will not doubt, I am sure, after all that has just been stated by Mr. Mackay, that the fall in exchange affects most detrimentally every interest in the country, and not the least so, I would urge, the interest of the retail trades whom I am allowed on this occasion to represent. It is generally believed that the retail trader is able to protect himself by an increase of prices, and in point of fact an increase of rates and prices has been unavoidable, but it would be unfair to say that this could be done to any material extent, or to the extent of rendering trade either safe or prosperous; any such result I may safely state has been impossibte in the face of the constant prevailing fluctuations in exchange; and its almost uninterrupted downward tendency during the last twelve months or more has brought it to a point at which anything like safe trading in imported goods becomes an utter impossibility. It should be remembered that traders, as a rule, have to work upon stated tariffs which cannot be altered to meet every fluctuation in the the rates of exchange, and anything like a sudden or seemingly arbitrary increase of prices would necessarily defeat its own end by the further inevitable restriction of business which would be sure to follow the adoption of such a course. As it is, business is considerably reduced in volume in all branches of retail trade, which is easily comprehensible when it is considered that the fall in exchange must necessarily have the effect of considerably reducing the spending power of those who are the main supporters of the trade in imported goods. Thus, your Excellency, the retail trader in the present day feels himself placed in a position of considerable embarrassment and difficulty, and, as this section of trade does not embrace any reciprocity of business with the mother country in exports, it follows that there is in the present day an entire absence of successful retail trading in the conntry, nor, in the face of the prevailing apprehension of a further fall in the value of silver, can this be regarded as the worst stage of affairs unless such fall be promptly arrested.

Under these circumstances, I would join most earnestly on behalf of the retail traders whom I represent, in pressing on your Excellency's attention the suggestions for a currency reform, submitted to your Excellency in the resolutions passed at the meeting held at the Town Hall on the 27th ultimo, and which have just been read out by the Honourable Mr. Mackay. In fact, the closing of the mints to the free coinage of silver and the adoption of the gold standard appear to us to afford the only chance now left for securing the trade of the country from passing into a state of utter disorganization and ruin.

Mr. A. G. Apcar, of Messrs. Apcar & Co., said:—

I have but little to add to what has been so well and clearly said by Mr. Mackay, and the other members of this deputation, and I should not now trouble your Excellency with any remarks if I did not think that a useful purpose might be served by a short statement of my own experience. I am a member of a firm who are producers and manufacturers, producing coal and manufacturing jute. We are the owners of zemindaries in the mofussil, engineering workshops in Calcutta, and are also the owners of steam vessels engaged in the general trade of the country, particularly in the carriage of opium, and plying in the trade between Calcutta, the Straits, and China. I may, therefore, say that I represent all the important trades and industries which the opponents of a stable currency in India declare would be ruined if the exchange value of the rupee were to cease from fluctuating and falling. But, we, who are deeply interested in local enterprise and industry, and in trade with other silver-using countries, beg to assure your Excellency that our opponents who prophesy ruin are not concerned personally as I am, and when they speak thus I deny their right to speak, and regard their prophecies as vain words. I am not merely a 'foreign sojourner' in this land, anticipating the day of retirement, and desirous of carrying my money away after conversion into gold. My firm was established here in the early days of the century, and I myself have been a member of it, and living and trading in this city, for more than 40 years. All my interests are bound up with the prosperity of this city, and this Empire, and will so continue to be. Such being the position which enables me to claim to speak with some authority on this important question, I desire to assure your Excellency that I shall welcome with the most lively

satisfaction a decision that shall prevent for the future such fluctuations in the exchange value of the rupee as have marked our commercial history for 20 years, and shall arrest its further fall. It is impossible to overrate the difficulties and embarrassments which are caused to trade and industry by an ever-varying and declining standard of value. Trade is harassed and impeded to such a degree that it is almost reduced to the primitive condition of barter, unhealthy speculation is rife, and legitimate transactions are entered upon with hesitation and anxiety. Industry is checked in the advance it should make for want of capital, which is carefully kept out of it, and, instead of marching confidently forward with operations which are beneficial alike to India and to the countries with which we carry on trade, we either feel our way slowly and cautiously as men who walk in the dark, not knowing where the next step may land them, or we plunge recklessly forward as does a gambler, losing as often as we win, or oftener, and the fever of excitement is followed by a reaction resembling paralysis. Such has frequently been our experience since 1873, and such at this moment is our experience in connection with the trade in India. I trust that your Excellency's Government will no longer delay to introduce a reform in our currency system, which will enable us to see what we are about when we are proposing to enter upon mercantile transactions or industrial enterprises, to calculate with some certainty what will be the future prospects of the transaction or the enterprise, and will remove all risks other than those which are incidental to trade and industry, risks which we are quite content and prepared to face. It is the unforeseen risk of fluctuations and depreciation of our monetary standard, which we are not prepared to face, and which paralyses our energies and resources.

The Hon. Fuzilbhoy Visram, of Messrs. Visram, Ebrahim, and Co., of Calcutta and Bombay, said:—

Your Excellency,—Although this subject of our currency has been thoroughly threshed out, and there remains nothing new to be said about it, I would, with your Lordship's permission, merely observe that, as one largely interested in the internal and local trade of India, I can say from personal experience how disastrous has been the result of the fluctuating state of our exchange with Europe. I have no doubt that this is also the experience of other merchants, whose name is legion. I am not one of those who advocate the gold standard simply for the sake of bringing about a higher value of the rupee, but what I am keen about is its stability. It must be admitted that it is on this that the prosperity of our commerce, and for the matter of that of our country, and of the Government itself, mainly depends, and I consider it is the duty of everyone to co-operate towards this desirable end, and I have, therefore, ventured to offer these few words to your Excellency on the aspect of the question as it appears to me.

Mr. R. D. Mehta, of Messrs. D. B. Mehta & Co., said:—

May it please your Excellency,—As a native of the country, and as one deeply interested in the development of commerce, and the manufacturing industry of the country, I do not feel the least hesitation in supporting the objects of this deputation, and the movement which it seeks to promote. With your Excellency's permission I desire to call attention to a misapprehension which, I am afraid, prevails, to some extent, in England.

It is believed that the appreciation of the rupee will mean the depreciation of uncoined silver, and the reduction in value of property which is hoarded in the shape of silver ornaments. Now, as a matter of fact, there is very little hoarding in the shape of ornaments. Ornaments constitute a finery, and it is well understood that gold and silversmiths themselves retain a large share of the metal which is placed at their disposal for such purposes. The truth is that whatever hoarding takes place takes place in the shape of coined money. It stands to reason that anyone desiring to hoard silver would not turn it into ornaments, because, in the first place, he has to pay to the silversmith at least a fourth to a half of the value of the silver for workmanship, which expenditure, and more, he would immediately sacrifice if he desired to turn the ornaments again into coin. If the rupee is given a fixed gold value, then obviously the money hoardings of the people will be improved, and remain a constant quantity; and will anybody deny that this is a distinct advantage to the fortunate possessors of money investments? I may add that, being a cotton spinner, and largely interested in various other industries, I will not hesitate to affirm —and this in the august presence of your Excellency— that I anticipate no harm, no injury of any kind, to the manufacturing industry of India, by the adoption of the course which this deputation desires respectfully, but firmly, to press upon the attention of the Government of this country. It is a matter of general notoriety, and of painful experience, that matters have gone from bad to worse, because the Government have chosen to adopt what I may be permitted to style a policy of masterly inactivity in this connection. It is our respectful request and humble prayer that some action may be taken, and without further delay, upon the lines which we have ventured to recommend.

Mr. Reginald Murray, Agent, Chartered Mercantile Bank of India, London, and China, said:—

Your Excellency,—I have been invited to make a few remarks from a banker's point of view. The meaning and object of a standard of value are necessarily that such value shall be fixed. Otherwise it cannot be a true measure for the purposes of trade, or for the general revenue and expenditure of the Government.

For the purposes of the trade in India it is abundantly evident that the silver standard has no such fixity of value. It is impossible to dissociate internal from external trade. The imports and exports are just as much a part of the trade of a country as articles bartered internally; and it is quite as important for the security of good credit and sound trade that the standard of value for exports and imports should not fluctuate, as that internal trade should rest on a fixed basis. Banks are the guardians of credit. On their stability depends whether credit is good or bad. But on what principle can Banks negotiate the finance of India's foreign trade, when exchange exerts such a dominating influence on all transactions to the extent that calculations of premiums and discount rest on a quicksand of speculation?

Such conditions defy principle.

We believe, too, that the depreciation of silver cannot fail to affect the value of savings in India. For, as the trade and finance of India are inevitably connected and mixed up with those of gold standard countries, so must the value of savings bear comparison.

Therefore it appears to us clear that savings in India, which are to a large extent represented by bank deposits, are adversely affected by the incidence of a silver standard.

Mr. D. W. P. King, of the Delhi and London Bank, said:—

Your Excellency,—Speaking as a banker whose interests are intimately bound up in the financial prosperity of India, it is to my mind impossible to conceive on what ground the country is justified in accepting, year by year and day by day, payment of its surplus profits in a metal which, as soon as it has been received, becomes of less value; if business were carried on generally on this principle, it is not difficult to see that it would ultimately result in serious failure.

As regards the effect on the capital brought into this country in the past, it is patent that, while it may have been invested in profitable industries of which we have many, a considerable portion of the capital has been absolutely lost, judged by its original sterling value; this does not apply to banks alone, but to every merchant, trader, and capitalist, who has sunk his money in India.

The present position is even worse, because, with all the openings there are for the investment of British money in railways, coal mines, and other undertakings in India, the uncertainty as to the future value of the rupee is so impressed upon the British public by the English Press that scarcely any fresh capital is brought into the country.

With the necessity there is for opening out the country this is a most serious matter. It is a fact that all new enterprises, in the first instance, in India, are undertaken with British or European capital, and nobody will admit that we have reached a stage when no further capital is required; and surely a state of affairs which absolutely hinders any extension of enterprise needs immediate attention.

It is possible that a gold standard for India might have a disturbing effect upon the European money market, and the prices of commodities there; but is it just or reasonable to continue a state of affairs here which absolutely debars the country from making the progress it should make?

The year 1892 has been, taking it all round, a disastrous one for Indian trade and traders, and, if no effort is made to remedy the present state of affairs, it is absolutely certain that we shall have to face a crisis that has not been equalled.

I therefore submit, for the urgent consideration of your Excellency, the absolute necessity in the interest of the country, the trade, the officials, and all concerned, of putting a stop to this competition between Council drafts and silver, by closing the mints to the free coinage of silver, and meeting the trade demand by the sale of the Secretary of State's Council drafts on India at a fixed minimum rate.

The Viceroy's Reply.

His Excellency the Viceroy, in reply to the deputation, said:—

I am much obliged to this deputation for the clearness with which it has laid its views before me. It is extremely important that the Government of India should be made aware of the manner in which these questions are regarded by all classes of the community. The gentlemen present here this morning represent a great variety of interests. You have told me that merchants, traders, ship-owners, importers as well as exporters, manufacturers and producers, the banking interest, and last, but not least, the landed interest, are all represented here, and that among the mercantile members of the deputation are representatives of our trade with silver as well as with gold-using countries, and of our local as well as our foreign trade. Such an expression of opinion, proceeding, as it does, from independent and unofficial sources, cannot fail to carry weight both with the Government of India and with the country, which we earnestly desire to carry with us, whatever course we may determine to adopt in view of the serious state of things with which we are confronted.

Now, gentlemen, it is an open secret that the Government of India regard that state of things with the greatest concern. It is, I think, also an open secret that we have ideas of our own as to the steps which might be taken in order to deal with the difficulties which are daily pressing themselves upon us. It is, however, of no use to conceal from ourselves that the remedial measures which have been under discussion are regarded in some quarters with genuine alarm and with a good deal of suspicion. The latter feeling is, perhaps, not difficult to account for, and it is, I believe, to be explained by the fact that many persons have assumed that the advocates of such measures are actuated by selfish, rather than patriotic motives. We are constantly told, for example, that the Government of India have been too much influenced by the distress of the officials in their employment, and that our main object is, on the one hand, to mitigate the hardship of the services which have, as we are well aware, suffered cruelly by the recent fall in exchange, and, on the other, to extricate ourselves from the constant embarrassment to which our finances are exposed by the fluctuation in the gold value of the rupee.

Now, gentlemen, as to the employés of the Government of India, they are entitled to the most abundant measure of our sympathy, and I am glad to notice that yours is extended to them; but I think that those critics must have a very mean opinion of our intelligence, who think that, merely in order to elude our obligations to the services, we should be ready to deal light-heartedly with so serious a question as that of the currency of the Indian Empire, or to tamper, in opposition to our better judgment, with the monetary basis upon which our financial and commercial system is founded.

Again, although the inconveniences which the Government of India encounters from the fluctuations in exchange are, no doubt, extremely irksome and exasperating, although it is very annoying to us never to know whether a surplus may not be converted into a deficit, or a deficit into a surplus, by speculative movements which we are wholly unable to control, although it is unpleasant to us to be roundly abused, because our forecasts are so frequently discredited, we should surely not be so imprudent, merely because we are suffering from inconveniences of this sort, as to contemplate the possibility of altering the standard of value.

Gentlemen, we are well aware that, before any project so serious and so far-reaching can be entertained, it is necessary to prove a great deal more than that the Government of India is exposed to annoyance, or its employés to hardship of a special kind. It is to much stronger reasons than these that we must appeal if we are to address ourselves to the question of currency reform, and it is for this reason that I regard it as highly satisfactory that gentlemen in your position, representing, as I have said, the unofficial and independent opinion of all classes of the community, should come forward in order to make us aware of the manner in which their interests are affected by the wide divergence in value which has arisen between gold and silver.

I, therefore, take note with the utmost attention of your emphatic statement that the present condition of things is disadvantageous to the commerce of India generally, to importers as well as to exporters, to local as well as to foreign traders, to the wage-earning classes as well as to the producer of commodities.

I also take note of your statement that you regard with the gravest apprehension the possibility that we may be driven by the recent fall in exchange to impose additional taxation on the people of this country—a contingency which we certainly cannot exclude from consideration, but which, having regard to the restricted sources from which taxation can be drawn, I, for one, should regard with the utmost concern. The fact that we may not improbably find ourselves face to face with the necessity of resorting to additional taxation in order to extricate ourselves from our difficulties, seems to me by itself to be a sufficient answer to the assertion that our troubles are of a kind which affect, not the people of India as a whole, but the foreign sojourners, represented, it is said, chiefly by the British officers of the Government of India.

I note again the declaration of your belief that, owing to the fall in the gold value of the rupee and the uncertainty with regard to the future of exchange, capitalists are deterred from investing their money in this country, the development of which is in this manner most seriously retarded. You have reminded me, on the other hand, that, owing to the embarrassment of our finances, the Government of India is itself obliged to curtail its expenditure on useful public works, so that the stream of public as well as of private enterprise is being dried up. This, gentlemen, is surely a consideration to which no class of the community, whether official or unofficial, can afford to be indifferent.

But, gentlemen, it is not enough to show that the disease exists. You have also to convince us, and to convince the public, that the remedy which you have recommended is the proper remedy, and to show that its effects may not be worse than those of the disease itself. Your association has addressed itself earnestly and with considerable skill to this task. We feel that, in dealing with this part of the case, we cannot approach the subject with too great caution. We must be persuaded not only that the remedy proposed is defensible upon strict economical grounds, but that, considered as a political measure, it is safe and expedient, and will not do violence to public sentiment, or give rise to grave and disquieting apprehensions in the minds of a people prone to regard public questions from a sentimental standpoint. In order to disarm hostility of this kind, nothing is so useful as public discussion, and a debt of gratitude is, in my opinion, due to the Currency Association for the manner in which it has, during the past few months, ventilated this intricate question and helped to render it intelligible to the public mind.

I can promise you, in the name of the Government of India, that both your statement of the facts, and the proposal which you have laid before me, shall receive our earnest attention. They will be duly laid before the Secretary of State, and I trust that we may before long be able to make you aware of the decision which has been arrived at. For the moment I cannot say more. You have reminded me that the Brussels Conference has separated without coming to any conclusion, but the other and to my mind more important inquiry which is being conducted by Lord Herschell's Committee, is, so far as we are aware, not yet concluded. We have not yet heard that the Committee has reported, nor can we anticipate the effect which the report may produce upon the judgment of the Secretary of State. Until we have received further information upon these points, the question must remain in suspense.

There are, however, two admissions which I am ready to make to you. My first admission is this, that you have, I think, strengthened your case by, for the present, restricting your proposals to that for the closing of the mints to the free coinage of silver, leaving, for further consideration, those ulterior proposals for changing the standard of value from silver to gold which were embodied in your project when it first took shape six months ago. In the next place you are, I think, justified in holding that the proposal for introducing a standard of value which shall be common

to India and to the gold-using countries is *primâ facie* a reasonable proposal. The burden of proof certainly seems to me to lie with those who desire to convince us that it is for the good of any given country that it should use for commercial purposes a currency of which the standard differs, and differs in a constantly fluctuating degree, from the standard of value obtaining in those countries with which the greater part of its commercial business is transacted. You have pointed out in your address that other nations have deserted the silver for the gold standard, and have found advantage in doing so. It is, I think, for your opponents in this country to show that there are special reasons why a similar change should produce different results in the case of India. The Association which you represent has now for some seven months openly and fearlessly advocated the policy which you first formulated at the Simla meeting in May of last year. That policy, so to speak, holds the field, and I think you may fairly say that your opponents will have no one to blame but themselves, if, owing to their failure to prove that the general opinion of this country disagrees with you, and to refute the facts and figures which the Currency Association has placed before the public, your conclusions are accepted as an authoritative statement of the interests which this deputation claims to represent.

No. 40.

The GOVERNMENT of INDIA to the SECRETARY of STATE for INDIA, Calcutta, 8th March 1893, No. 91.

MY LORD,

IN continuation of our despatches below,* we have the honour to forward for your Lordship's consideration, copy of a letter dated the 10th February 1893, from the Chairman of the Karachi Chamber of Commerce, and enclosures, referring to the closing of the Indian mints to the public for the coinage of silver.

We have, &c.

LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. B. PRITCHARD.

Enclosures in No. 40.

From JAMES CURRIE, ESQ., Chairman, Karachi Chamber of Commerce, to the GOVERNMENT of INDIA, HOME DEPARTMENT, 10th February 1893.

I have the honour to forward herewith, for the information of His Excellency the Viceroy in Council, a resolution passed by this Chamber on the subject of the accompanying circular letter I had addressed to the members of the Chamber, dated 26th ultimo, referring to the closing of the Indian mints to the public for the coinage of silver.

At a special general meeting of the Karachi Chamber of Commerce held at the Chamber Buildings on the 10th February 1893, at 2.30 p.m., the following resolution was passed:—

Resolution.—That the views expressed in the circular letter of the chairman, dated 26th January 1893, are adopted by the Chamber, and that a copy of that letter be forwarded to Government with the intimation that the Chamber concurs with the opinion expressed therein.

JAMES CURRIE,
Chairman.

The CHAIRMAN of the KARACHI CHAMBER of COMMERCE to the MEMBERS, 26th January 1893.

In view of the present agitation for the closing of the Indian mints to the public for the coinage of silver, it is desirable that the Chamber should consider the probable consequences of that measure.

Assuming that the Government take that course, the first result would be an advance in the value of the coined metal now in circulation, and that advance would continue in proportion to the contraction of the currency; such contraction would follow unless the Government took up the task of coining silver on their own account and kept the mints at work.

It would be obviously to the advantage of the Government to do this, and the manner of doing it could be easily and profitably effected by the Secretary of State taking into his own hands the purchase of silver in London for shipment to India for minting purposes. Much would, however, depend on the method adopted by him in regulating these purchases.

The following suggests itself as one such method, which would have the advantage of being simple, and would regulate the supply according to the requirements of the country.

Over and above the sales of Council bills necessary to defray the current charges, the Secretary of State should be always prepared to give at his fixed rate to the public additional Council bills, with the proceeds of which he should buy bar silver in London for the Indian mints.

Following this method, strengthened as his hands would be, he would be able to control the rate of exchange so long as the balance of trade was in favour of India; at the same time the risk would be avoided of India suffering for any length of time from any abnormal dearness or scarcity of money.

There is no reason to doubt, if the mints were closed to-morrow to the public, and the Secretary of State fixed the rate of his Council bills, say, at 1*s.* 4*d.* per rupee, as he could do, holding the command of over 20 millions' worth of bills on India, including the probable requirements for the mints, that this level could be maintained without fluctuations until the price of bar silver rose to near the same level.

Failing universal bimetallism, it appears to us that the closing of the mints, together with the action of the Secretary of State similar to that described for the purchase and coinage of silver, would be a wise and politic move.

No. 41.

Telegram from the SECRETARY of STATE to the VICEROY, 15th March 1893.

Among the proposals respecting currency which have been suggested for consideration is one that free coinage should be stopped, provision being at the same time made that rupees may be obtained from the mints in exchange for gold, at a rate to be fixed by the Government of India with the approval of the Secretary of State, such rate in the first instance being fixed at sixteen pence per rupee. Do you see any practical difficulties in carrying such a suggestion into effect; and, if so, what is their nature? If your proposals should be approved, do you think that difficulties would arise from the circulation in British India of the coins of Native States? or of the coinage of Ceylon, if that island should set up an open mint for the coinage of rupees?

No. 42.

Telegram from the VICEROY to the SECRETARY of STATE, 16th March 1893.

We do not think that any practical difficulty need be anticipated, if the free coinage of silver were to be stopped, but provision made that rupees might be obtained from the mints in exchange for gold at some rate to be fixed.

If our proposals should be approved, any difficulty in connection with rupees coined under the Native Coinage Act of 1876 could be easily overcome.

Coins issued by Native States might perhaps circulate to a limited extent in British territority adjacent to such States, but they would neither be legal tender nor be received at Government treasuries or by railways, municipalities and local bodies; and in our opinion serious difficulties could not arise.

If, after the acceptance of our proposals, Ceylon should establish an open mint on her own account, the Indian rupees which are now circulating in that island would no doubt return to India; but Ceylon must not be allowed to coin in her own mints new rupees resem-

* No. 317, dated the 16th November 1892, and No. 25, dated the 18th January 1893.

bling Indian rupees, and then they would not be used to any considerable extent in India, and of course would not be legal tender between individuals.

No. 43.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Calcutta, 22nd March 1893, No. 103.

MY LORD,

IN continuation of our Despatch, No. 91 (Financial), dated the 8th March 1893, we have the honour to forward copy of a memorandum submitted by the Wynaad Planters' Association, and of letters signed by certain merchants in Karachi and Bombay on the subject of the Indian currency.

We have, &c.

LANSDOWNE.
ROBERTS.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. B. PRITCHARD.

Enclosures in No. 43.

No. 1.

The Honourable C. A. GALTON, Chief Secretary to the Government of Madras, to the SECRETARY to the GOVERNMENT of INDIA, Finance and Commerce Department, No. 202, dated 24th February 1893.

I am directed to forward the accompanying copy of a letter received from the Honorary Secretary to the Wynaad Planters' Association, together with the memorandum on the currency question referred to therein.

Enclosure in No. 1.

The HONORARY SECRETARY, Planters' Association, Wynaad, to the CHIEF SECRETARY to the GOVERNMENT of MADRAS, 10th February 1893.

I have the honour to forward, for the consideration of the Government of India, a memorandum that was drawn up by this Association in November last, and published in the local press, as an answer to the reply given by the Government of India to the Darjeeling planters on the currency question. We wished at the time to get the co-operation of all planting associations in Southern India, and to send the memorandum home to Lord Herschell's Committee as the expression of the unanimous opinion of the Planting Committee. Unfortunately there has been so much delay in getting answers from other districts, that it was only on the 25th January that we were in a position to say that our memorandum was endorsed by all other associations. As the sittings of Lord Herschell's Committee are now over, I am instructed to forward the memorandum to you, with a request that the Government of Madras will be good enough to forward it to the Government of India as the unanimous opinion of the following Planting Associations representing Southern India:—North and South Mysore, Coorg, Travancore, Shevaroys, Nilgiris, and ourselves. South Mysore do not endorse the paragraph respecting wages, as wages have risen there owing to increased cultivation.

Sub-Enclosure in No. 1.

MEMORANDUM on the Currency Question drawn up by the Wynaad Planters' Association.

(Endorsed by the North Mysore, Coorg, Shevaroys, Nilgiris, Travancore Associations, and by the South Mysore Planting Association with exception to the paragraph respecting wages.)

We maintain that the agitation of the Indian Currency Association is not for the advantage of India as a country. It was got up, and is chiefly supported by Government officials, and such classes as professional men, middlemen, and salaried employés, who form a very small fraction of the population of India. The agitation has experienced considerable opposition among the merchants of Bombay, Calcutta, and Madras. Government officials are doubtless suffering from a severe grievance, inasmuch as they lose a considerable portion of the pay they contracted to receive, and, if they had confined their agitation to their own particular grievance, public sympathy would have been entirely with them. We maintain that Government officials, and their supporters in this agitation, are not in as close touch as we are with the lower classes of India, nor are they, by their training and position, as competent to arrive at true opinions on matters affecting the trade of the country. We, on the other hand, by the frequent sales of our produce, are in touch with the markets of the world, and are forced to study the general course of the world's trade as a guide in our business. We also contend that we represent the ryot class; their interests and ours are identical; we are in daily personal communication with our labourers, and, through that most delicate of tests, our labour pay sheets, can realize their actual condition over a long term of years. It is for these reasons that we venture to publish an opinion in opposition to that of the governing class.

The Government of India, in summing up its reply to a petition from the tea planters of Darjeeling, says:—

1. That the country as a whole makes no gain in its international trade by a depreciation of its standard, since the extra price received for its exports is balanced by the extra price paid for its imports.
2. That the producer of an article may make a temporary and unfair gain from the depreciation of the standard, at the expense of his employés and others to whom he makes fixed payments.
3. But this gain, while not permanent, is counterbalanced by a tendency to over-production and consequent reaction and depression; by a liability to sudden falls in prices, as well as rises; and by the general check to the increase of international trade, which necessarily results from the want of a common standard of value between countries which have intimate commercial and financial relations.
4. That the adoption of one standard of value by England and India would facilitate trade, stimulate production, and place other silver-using countries, such as China, at a disadvantage.
5. That international trade must be considered as a whole; that trade and production are extended by everything that adds to the welfare of the country at large; and that illegitimate and temporary gain by one section of the community, at the expense of another, can only prove injurious in the long run.

We would respectfully point out that the strength of the first of these arguments obviously depends on the import trade being of as much value to India as the export trade. We maintain that the intrinsic value to India of the export trade far exceeds that of the import, even as it does in actual volume and money value. The ryots are by far the most numerous class in India, and we are constantly being reminded that the problem of the future is the over-population of the country likely to result if new industries cannot be found for the employment of this ever-increasing mass, unchecked by war or famine. They are also the chief payers of revenue to Government. They are absolutely independent of the import trade, for they can still, as they did formerly, supply all their wants from the produce of the country. The practical outlets of this surplus population are local manufactures, and the growth of produce for export; and the low rate of exchange has fostered both, and enabled industries such as wheat, tea, hides, &c., to hold their own in the face of an enormous increase of production in other parts of the world. On the other hand, we would point out that, while the fall in exchange has prevented the export trade feeling the fall in gold values (which has so seriously affected industries in gold-using countries), the fall in gold prices has prevented any rise in the rupee prices of imported goods in India. This is proved by a comparison of prices in 1892 and in 1871–75. Cotton goods of all sorts are one anna in the rupee cheaper; English coal is Rs. 3 per ton cheaper; steel rails are Rs. 13 a ton cheaper than iron rails were, and other metals are cheaper in proportion; oilman's stores and all sorts of wearing apparel are at the same price or cheaper now than they were. The only loss, therefore, that the import trade has suffered is, that it has not been unduly stimulated by the fall in gold values. It is not, however, to the interests of India as a country that local manufactures should be destroyed

by an inrush of cheap European goods. The Government of India has for years recognised the policy of fostering local manufactures, and they have prospered so as to excite the jealousy of Manchester. However inconvenient it may be to Lancashire, the Government of India cannot consistently maintain that the absence of an extra stimulus to the import trade is anything but a wholesome check on the over-production of European imports. More especially is this the case when the low value of the rupee outside India, as compared with its value in the country, is inducing those who have their savings in rupees to invest them locally. We would also point out that the interests of the import and export trade are not opposed, as the first argument of the Government of India would seem to imply. Imports are of the nature of purchases made out of surplus income, which can be curtailed if the income of the country cannot do more than provide bare means for subsistence. The export trade and local manufactures are the only industries in which there is room for any material growth of the income of the country, and, if these are checked by fixing the rate of exchange, the import trade must suffer with them.

The Government of India admits that the producer of an article for export makes a gain by the depreciation of this standard; but asserts that the gain is only temporary, and it is unfair because it is made at the expense of his employés to whom he makes fixed payments. In this contention Government apparently only contemplates producers on a large scale, and quite overlooks the masses of poor ryots who cultivate exportable produce in their own fields; but, even in the case of producers on a large scale, employing large gangs of day labourers, we deny the gain is unfair and at the expense of the employé. The planters of Southern India employ labour from every part of Southern India and Mysore, they keep books showing the rates of wages, the amounts advanced for subsistence allowances, and the balances paid on the conclusion of the various terms of labour. It is shown there that wages are the same now as in 1875. The subsistence allowances and amounts saved by the ryot cooly are the same now as then. A correspondence in the Madras Press elicited the fact that, excluding the last three years as affected by scarcity and fears of famine, common country gains were 20 per cent. cheaper in 1889 than in 1875, while exchange had fallen from 1*s.* 11*d.* to 1*s.* 4*d.* Twice in this period of 15 years grain had risen 25 per cent., and gradually fallen again, while exchange steadily fell. The experience of the tea planters in Darjeeling is evidently the same as ours. Mr. Mackay, in his speech in Calcutta, admitted that wages had not risen in the indigo, tea, and jute districts. As the cooly in Southern India gets as many rupees as formerly, and finds that, allowing for the fluctuation of prices due to good and bad seasons, his rupees buy as much food and clothing as formerly, we fail to see that the charge of an unfair gain is substantiated.

That the gain is temporary and counterbalanced by a tendency to over-production and consequent re-action and depression by a liability to sudden falls in prices as well as rises. This statement supposes the trades of India to be monopolies, and not a part of the great trade of the world. By following the course of prices of the chief articles of export during recent years, it will be seen that they, without exception, have followed the universal law of supply and demand, irrespective of the fluctuating relations of value between silver and gold. Over-production and the reduction of profits to a minimum is the tendency of all modern trade, and is not affected by Indian exchange, except in so much as it enables India to compete with other countries more favourably circumstanced. Thus, the price of sugar has fallen owing to the creation of the beet industry; that of wheat from the expansion of American cultivation and the new Bombay trade; that of cotton from the same causes; that of tea from the growth of the Indian and Ceylon industries causing a glut in the China market. Pepper, one of the most ancient, and for centuries the most lucrative, of the industries of Malabar, has been rendered almost unprofitable owing to the competition of the Straits. In the case of hides, the price has fallen owing to enormous tracts in America and Australia having been stocked with cattle. The price of coffee has risen because blights have checked production. The cinchona bark trade exemplifies the law still more clearly. In 1877 sulphate of quinine was selling at 10*s.* per oz., and common cinchona bark from 3*s.* to 4*s.* per lb. It was discovered that the tree would thrive in India and Ceylon. Enormous profits were to be made, although exchange was then high, and capital rushed into the enterprise. In a very few years the island of Ceylon alone was supplying the annual consumption of the world. Stocks increased, and the price of bark fell below 2*d.* per lb., the minimum cost of production. In Ceylon the trees were uprooted to make way for tea. In India disease supervened on want of cultivation, and at last the consumption is again overtaking the production, and the market has felt the first vibration of an upward movement. We do not suppose that merchants in Europe need to have these facts brought to their notice, but we mention them to show how able men in India, under the pressure of loss from low exchange, shut their eyes to the invariable laws of supply and demand, and the evident tendency of modern trade, and think they can affect the world's trade through Indian exchange. It can hardly be contended that the increased production of such of the above articles as are produced in Europe, America, and Australia, is due to low exchange. In Ceylon the rush into tea and cinchona was due to the blight of coffee, which left a large and energetic population without the means of subsistence, and the capital sunk in the island without dividends. The supporters of the Indian Currency Association rightly maintain that the rise of the Bombay wheat trade is due more to the opening-up of the country by railways and cheap steamer freight than to low exchange. Such facilities could not, however, create a trade, unless there was a surplus population feeling the want of fresh outlets for its energies, and we know the population of India has increased one-third in the last 20 years. The same causes are in active operation all over the world, and over-production is likely to be the law of the future, irrespective of Indian exchange. As to the liability to sudden falls in price as well as rises, we, the producers, in common with all *bonâ fide* merchants, deplore violent fluctuations. In part these are due to the inevitable rush into over-production that is sure to take place if the price of any article rules high, now that capital and labour are so abundant and means of communication so easy. They are also due to the unfortunate spirit of gambling which pervades all modern markets. We would point out that the most violent fluctuations of late have been due to attempts made by America to artificially raise the value of silver.

"That the adoption of one standard of trade value
" by England and India would facilitate trade, stimu-
" late production, and place other silver-using countries,
" such as China, at a disadvantage." We venture to point out that the Government of India gives no reason for this conclusion, beyond the statement that general prosperity would result from such a standard, and its belief that its previous propositions are indisputable. It is the answer to the argument of the Darjeeling planters, that, if the value of the rupee was fixed while the Chinese tael followed the fall of silver, the tea trade of China would again regain the ascendancy which had been wrested from her, and might even irretrievably ruin the trade of India. These arguments seemed to us based on general principles of political economy, regardless of the special circumstances of Indian trade, and again assume that the import trade equals the export trade in value to the country. The Government of India "recognises that
" the interest of the tea trade is necessarily a matter
" of concern to it," but it goes on to imply that, if tea can be more economically produced in China, the capital now invested in tea in India should be shifted to some more profitable industry. Those, however, who are experienced in commercial enterprise know too well that the capital invested in an industry that has to be abandoned is lost. The producer cannot shift his capital from one industry to another as the market changes, and finds that the falling exchange alone enables him to continue working at a profit in competition with other silver-using countries. It was urged at a meeting of the Indian Currency Association, that it is not low exchange, but falling exchange, that is needed to stimulate the export trade, and that, as exchange must touch the bottom sooner or later, the stimulus is only temporary, and will be followed by re-action and depression. We maintain that when once the bottom is touched no further stimulus will be needed, as Indian produce will then compete on a level with that of other silver-using countries. This, for instance, has not been the case lately in the coffee industry. Brazil, the greatest grower of coffee in the world, has recently had its exchange as low as 10*d.* If Indian exchange is to be fixed, and not allowed to follow the fluctuating relations of silver and gold, Brazilian exchange may again fall to an extreme, and

her planters receive double the price in silver that we do for coffee of an equal gold value. Java has already practically illustrated the truth of the above statement. Her exchange was fixed at a high rate some years ago, and it is stated that in consequence no cultivation is very profitable there, and tea is being uprooted as unremunerative, though it flourishes in India and Ceylon in spite of low prices. As regards industries, such as wheat and hides, which compete with gold-using countries, the supporters of the Indian Currency Association maintained that low exchange did not benefit them, as every fall in exchange was followed by a corresponding fall in gold prices, and, with the lowest exchange and freights ever known, last monsoon was the worst season for the export trade on record. We have shown above that any general rise in gold prices is improbable, as production is likely for the present to increase faster than consumption. We do not forget that consumption in its turn will from time to time overtake production, but only those trades which can tide over a period of depression will be able to benefit by the following re-action. However unprofitable the wheat and hide trade may now be, this is due to the competition of other countries over which no action of India can have any control, while her depreciating standard saves her from having to submit to such a low range of prices as their appreciating gold standard inflicts on them. To sum up, we maintain:—

1. That the gain on exports is not balanced by the loss on imports, because the export trade is essential to India, and the import trade is not. Moreover, the prosperity of the import trade depends on the prosperity of the export trade.
2. An experience of 15 years shows us that the gain on exports is neither temporary nor unfair, as the purchasing power of the rupee in India is as great now as it ever was.
3. That over-production is inevitable, from the constant increase of capital and labour in the world, and cannot be affected by the rate of exchange in India. That the effect of a depreciating standard on India's trade is entirely beneficial, in that it enables her to tide over the depression that results from this over-production, and to benefit by the prosperity that will ensue when re-action comes. That violent fluctuations are due to the spirit of gambling, and would only be intensified by any further attempts to raise the value of silver.
4. That any attempts on the part of the Government of India to fix one standard of value for England and India can only result in ruining India's trades which compete both with gold-using and silver-using countries, unless a scheme of universal bimetallism is adopted, which will have the effect of raising gold values in the great markets of the world.
5. That the artificial enhancement of the value of the rupee would not add to the welfare of the country as a whole, because any gain obtained by reducing home charges and interest on the gold debt would be more than counterbalanced by the loss inflicted on the trade and revenue of India; that this gain would be also illegitimate and injurious, as benefiting only the small class of non-producers at the expense of the producers who form the mass of the country.

J. WILLIAMS HOCKIN,
GEORGE ROMILLY,
Committee for the Wynaad Planters' Association.

No. 2.

J. M. DICK, Esq., Karachi, to the PRIVATE SECRETARY to his EXCELLENCY the VICEROY and GOVERNOR-GENERAL of INDIA, 24th February 1893.

I have the honour to forward the accompanying original documents, with six spare copies.

Enclosure 1 in No. 2.

MESSRS. DONALD GRAHAM & Co., RALLI BROTHERS' AGENCY, FINLAY MUIR & Co., SANDAY PATRICK & Co., EWART RYRIE & Co., BRYAN DURANT & Co., RITCHIE STEUART & Co., Merchants and Agents of Karachi, to the PRIVATE SECRETARY to his EXCELLENCY the VICEROY and GOVERNOR GENERAL of INDIA, 23rd February 1893.

With reference to the Resolution of the Karachi Chamber of Commerce on the subject of the currency question, dated 10th February, recently forwarded to His Excellency the Viceroy, we have the honour to beg His Excellency's gracious attention to this our protest against the view set forward in that Resolution.

As the signatures to this document testify, we have the honour to represent a preponderance of the import and export trade of this port, and our opinion submitted with all due deference is fully expressed in the letter addressed to you under date 9th February 1893 by several members of the Calcutta Mercantile and Banking Community.

Enclosure 2 in No. 2.

MESSRS. H. E. ABBOT & Co., and others, to the PRIVATE SECRETARY to His EXCELLENCY the VICEROY and GOVERNOR GENERAL of INDIA, CALCUTTA, 9th February 1893.

We have observed with the utmost concern and regret, from the published reports of the interview recently graciously accorded by His Excellency to a deputation from the Indian Currency Association, that His Excellency seems to have adopted the conclusion that the representations which were then addressed to him formed an authoritative statement on behalf of the banking, trading, commercial, and industrial interests of this port.

It is with some surprise, also, that we find His Excellency telling the Indian Currency Association that their policy, so to speak, holds the field, and that we and others in this country who think with us shall have no one but ourselves to blame, if the Association's facts and figures are accepted as an authoritative statement of the interests which they claim to represent.

We beg most respectfully to assure His Excellency that he is under a misapprehension. As the signatures to this document testify, we have the honour to represent a large proportion of the business of Calcutta, and we have good reasons for believing that we have behind us, in support, a similar proportion of those interested in the planting, manufacturing, and other productive industries of the Presidency.

Our opinion, which we submit with all due deference, is, that the measures being urged upon the Government of India by the Currency Association for steadying and raising the rupee are uncertain, unsound, and mischievous, fraught with danger to the financial credit of the Government, and to the commercial prosperity and development of the country.

We do not favour a fluctuating or depreciating rupee, but we are more averse to a fictitious, artificial sterling value being placed upon the rupee, and we believe that any proposals yet submitted by the Currency Association would have much worse effects than those of the state of things which these proposals are intended to remedy.

As practical experienced business men, we do not hold with the assertion of the President of the Currency Association that the fall in silver has restricted and embarrassed the trade of the country to such an extent as to create an almost unparalleled state of depression. We believe that the causes of the depression, such as it is, are to be found elsewhere.

On the other hand, we desire to make known that we are not insensible to the embarrassment of the Government as regards the present state of its finances, or wanting in sympathy for the employés of the Government who have suffered by the recent fall in exchange; but we submit that, in order to make these matters right, it does not appear to us to be necessary or desirable for the Government to resort to the desperate expedient of tampering with the monetary basis upon which the financial and commercial system of the country is founded, and under which the country has hitherto been most prosperous.

We have noted with satisfaction His Excellency's reference to the importance of the report to be presented by Lord Herschell's Committee, because our views have been fully placed before that Committee by some of our senior representatives, and we beg to crave His Excellency's kind reference to a letter which some of our number addressed to the Bengal Chamber of Commerce in September last, and of which a copy is attached.

Enclosure in above.

Demi-official.—Messrs. GEORGE HENDERSON and Co. and others to the SECRETARY to the BENGAL CHAMBER of COMMERCE, 3rd September 1892.

An active canvass has been carried on for some time past for signatures to the memorial of the Indian Currency Association by the President of the Association and others, and it appears that many members of the Chamber have subscribed the document. We learn from your letter, No. 751-92, of 26th ultimo, that the Committee of the Chamber have not discussed the memorial; and, under these circumstances, having regard to the importance to the mercantile community of the question involved, we desire to record the following short protest.

The memorial is based upon a highly incorrect representation of facts, and its prayer to Parliament to empower the Government of India to deal with the Currency as it may deem fit, is one which, in our opinion, should on no account be granted.

No. 3.

MESSRS. ALLANA MUNJEE and Co. and others to the PRIVATE SECRETARY to His Excellency the VICEROY and GOVERNOR-GENERAL of INDIA, CALCUTTA, 25th February 1893.

We wish to take the opportunity of cordially endorsing the views expressed in a letter from a number of the leading bankers and merchants of Calcutta, under date 9th instant, to yourself, for submission to His Excellency the Viceroy.

We are firmly of opinion that the proposals of the Indian Currency Association, if entertained, are fraught with danger to the commerce of the Empire, and certain to fail in their object of securing stability in the sterling value of the rupee.

No. 44.

TELEGRAM from the VICEROY to the SECRETARY of STATE, 23rd March 1893.

The financial statement will be presented to the Legislative Council of the Governor-General to-day, and will be published here in a Gazette Extraordinary. The accounts for 1891-92 have closed with a surplus of Rx. 467,000. In the revised estimate for 1892-93 the revenue is estimated at Rx. 90,021,200, and the expenditure at Rx. 91,103,100, giving a deficit of Rx. 1,081,900. The fall in exchange during this year below 1*s.* 4*d.* per rupee, the rate taken in the budget, has added Rx. 1,635,300 to the expenditure, and there has been a considerable increase of sterling expenditure and of expenditure on the Army in India; on the other side of the account there has been an increase of net opium revenue in India to the extent of Rx. 971,900, and a large and satisfactory growth of general revenue. The unfavourable influences outweigh the favourable, and, instead of the surplus of Rx. 146,600 shown in the budget, a deficit amounting to Rx. 1,081,900 is expected. It is explained that the large increase in net opium revenue is due to an unfavourable season and a poor opium crop. The payments for crude opium have consequently been less than the estimate, and the selling price of Bengal opium has largely risen owing to reduction from 1st October last of the quantity sold monthly.

In the budget for 1893-94 the revenue is estimated at Rx. 90,005,700 and the expenditure at Rx. 91,600,800, giving a deficit of Rx. 1,595,100. The rate of exchange is taken at 1*s.* 2¾*d.* per rupee, and the fall in exchange adds Rx. 1,989,400 directly, Rx. 240,000 indirectly, to the expenditure, making a total addition to expenditure of Rx. 2,229,400. There is also, as compared with figures of budget estimate for 1892-93, some addition to expenditure on the Army in India, and some reduction of net opium revenue. Among the influences which have favourably affected the budget estimate of next year are an increase of ordinary revenue of Rx. 647,700, some improvement in net railway receipts, and some reduction in net sterling expenditure and in ordinary expenditure in India. It is explained that the fall in exchange has in two years added Rx. 4,142,400 to the expenditure, and that the future of Indian finance at the present time depends upon the course of exchange. Although the Government of India are most unwilling to budget for a deficit, it is considered inexpedient to take measures necessary for the restoration of financial equilibrium, until the Home Government have received the report of Lord Herschell's Committee, and given their decision on the Indian currency question. It is clearly shown that any measures which could be adopted at the present time must be either inadequate or unnecessary, and it is stated that the decision on the currency cannot be much longer delayed.

Sir David Barbour appeals to all persons who have taken part in the disputes on the currency question to put aside personal feeling in the matter, to accept whatever decision may now be given, and to endeavour loyally to carry it into effect. He adds that he is willing to take this course himself, though he still prefers a settlement of the question by international agreement, and hopes that it may be possible to secure it at some future time.

Notwithstanding the difficulties of the present day, he repeats his former opinion that the resources of India are adequate to her wants, but on condition that the measures of the Government of India are taken in good time, are regulated by prudence and forethought, and are carried into effect with strict regard to economy.

The budget estimates for next year provide Rx. 3,550,000 for capital expenditure not chargeable to revenue, as well as Rx. 1,119,300 under the Famine Insurance Grant, for construction of railways and irrigation works. It is expected that a loan of Rx. 3,000,000 will be raised in India during next year, but no pledge has been given. It will be announced, with usual reserve, that the Secretary of State will probably draw bills for 18,700,000*l.* during next year, and will raise a loan for 1,300,000*l.* for discharge of railway debentures.

No. 45.

EXTRACTS from the Financial Statement by Sir David Barbour, 23rd March 1893.

Present Position and Future Policy.

28. The revised Estimates of the current year show a deficit of Rx. 1,081,900; the Budget Estimates of the coming year show a deficit of Rx. 1,595,100. The prospects of the future are disheartening, because, although the ordinary Indian Revenue grows rapidly, the fluctuations in Exchange are such as to set all calculations at defiance. The increase in expenditure during the last two years, caused by the fall in the rate of exchange, amounts to Rx. 4,142,400, and the increase of expenditure due to this cause has not yet come to an end. The heavy fall in the rate of exchange has most seriously affected the position of Government servants not domiciled in India; their case cannot be put on one side much longer, and, as matters now stand, no remedy is possible which does not involve further increase of Expenditure.

We have, also, to take into consideration the possibility of the United States stopping their purchases of silver; the effect of which on the rate of exchange must be serious and might be disastrous. It has been found necessary to take net Opium Revenue for the coming year at a lower figure than has appeared in the estimates during the last 22 years.

29. Under the circumstances stated in the preceding paragraph, the natural and ordinary course would be for the Government of India to at once take such measures as would suffice to cure the existing deficit, and establish equilibrium between revenue and expenditure. Financial embarrassment gathers weight and force the further it proceeds, and it is the obvious duty of every Government to allow no avoidable delay to occur in dealing with a declared deficit. Postponement of action cannot be justified, except on grounds of irresistible weight.

30. It will be found on examination of the existing position that there are insuperable objections to any attempt to deal with the anticipated deficit or 1893-94 at the present moment. The immediate cause of our financial difficulties, and the cause which, by comparison and for the time being, dwarfs all others, is the fall in the gold value of silver, which, as I have already shown, has added to the Indian expenditure in two years more than four crores of rupees. If that fall could be stayed and the rate of exchange with England fixed permanently at even its present low figure, the difficulty of dealing with the present deficit would be

comparatively light. The revenue continues to grow in a satisfactory manner; even under the influence of indifferent seasons and poor harvests it has made fair progress. If we could feel assured that there would be no further fall in exchange, I have little doubt that increase of revenue, restriction and reduction of expenditure, with possibly some taxation of a temporary nature, would, in a very short time, re-establish equilibrium. A serious effort would no doubt be required in the first instance, but with a fixed rate of exchange we would have a definite task before us and our measures could be regulated accordingly. But it unfortunately happens that, unless some settlement of the currency question is obtained, there is no prospect of even the most moderate degree of stability in the rate of exchange. The disastrous and unprecedented fall in the gold value of silver which has been experienced during the last few years has destroyed confidence, and we know that the question of stopping their purchases of silver is being seriously agitated in the United States of America. The exact consequences of such stoppage it is impossible to foretell; but the conclusion I have come to is that the consequences would, at any rate for a time, be disastrous to the Indian Exchequer, and that the Government of India would in such case be involved in pecuniary difficulties of greater magnitude, and more lasting in their effects, than any which have hitherto been experienced in this country.

The imports of silver into India during the current year and the two preceding years have been of great magnitude. In the year 1890–91, the net imports of silver were Rx. 14,175,136, in 1891–92 they were Rx. 9,022,184, and in 1892–93 they promise to amount to Rx. 13,000,000. If the United States ceased to purchase silver, the best calculation I have been able to make shows that India would have to absorb about Rx. 8,000,000 worth of silver yearly in addition to what she imports already, and it is impossible to contemplate such a contingency without grave apprehension.

The consequences of a forced and sudden addition to the yearly imports of silver into India of Rx. 8,000,000 in a single year would, in the first instance, at any rate, be overwhelming, and I should expect that the Eastern Exchanges would be for the time completely disorganised. The fall in the gold value of silver would be so great that the production of silver might be curtailed, but we cannot be certain that this result would follow, or to what extent it would follow; and, as mines that are in full working could not and would not be stopped immediately, the process of reduction would take time. If such reduction of output did take place, it would be due to the fall in the price of silver, and would not last longer than the fall in price lasted; every rise in price would be followed by increased activity at the mines, and would tend to restore production to its old figure. In short, the stoppage of the purchases of silver by the United States must result in a great fall in the price of that metal, and, though a portion of the first fall might be recovered, it cannot reasonably be expected that, under such circumstances, even the present price of silver would be restored; confidence in the future would be still further weakened, and fluctuations in exchange, of excessive amount, and most injurious in their consequences, would be inevitable.

31. I have now shown what we must expect if there is no settlement of the currency question, and if the United States stop their purchases of silver. The prospect of a settlement of the currency question lies on the other side of the shield. A settlement of this question would prevent any further fall in exchange, and would be likely to bring about, at the very least, some slight rise.

It is no violent hypothesis to assume that a settlement of the currency question might raise the rate of exchange by one penny, and so great is the influence of Exchange on our finances that a rise of even this small amount would give us equilibrium between Revenue and Expenditure in the coming year, and cause our present financial difficulties to disappear.

In other words, our financial position for the coming year is at the mercy of Exchange and of those who have it in their power to affect in any way the price of silver. If we budget for the present deficit of Rx. 1,595,100, and Exchange rises one penny, we shall have a surplus; if it falls a penny, we shall have a deficit of more than three crores; if we impose taxation to the extent of one and a half crores of rupees, a turn of the wheel may require us to impose further taxation of not less magnitude; another turn, and we may find that no taxation at all was required. It will be obvious from what I have just said that what we have got to consider in making our arrangements for next year, is not so much the question of increasing the public revenue, or restricting that portion of the public expenditure which is under our control, but the chances of a settlement of the currency question.

32. I regret that I am unable to give any more definite information regarding the prospects of a settlement of this question than the public at present possess. We know that the question excites the greatest interest in the United States; and we know that, even if the people of that country were willing to let it sleep, the inexorable logic of events will force them, before long, to take a fresh departure either in one direction or in the other.

The International Monetary Conference, which recently assembled at Brussels, separated without arriving at any definite conclusions, but it is proposed that it should re-assemble in May. We do not know whether that proposal will be carried out or not; but, in the meantime, the currency question as it affects India is being considered by a committee of experts under the presidency of the Lord High Chancellor of England.

The proceedings of that Committee are secret, and the Government of India have no information as to what the nature of its Report will be, or as to whether the Committee will agree upon an unanimous Report or not. But we know, as do the public, that the Report of the Committee will be made very shortly, and the Government of India have been informed by Her Majesty's Secretary of State for India that the decision on the Indian currency question cannot be delayed much longer. Under these circumstances the Government of India have decided—and the soundness of the decision does not appear to me to admit of dispute—that the proper course is to await the decision of the Home authorities on this question, before adopting measures which must necessarily be of a stringent and exceptional nature, with the object of re-establishing equilibrium between Revenue and Expenditure. The immediate restoration of equilibrium would require the imposition of heavy taxation, or a large reduction of Expenditure; and yet neither this taxation nor reduction of Expenditure, nor even a combination of both means, would be final, or anything better than a temporary makeshift, if the currency question is not settled; measures that might suffice to meet the existing deficit would, in my opinion, be wholly inadequate if the United States ceased to purchase silver. I submit that the Government of India cannot be expected to initiate a policy at the present moment, which must have very serious effects on the industry of the country, and disturb and unsettle the Administration, when the lapse of only a month or two might, and in all probability will, show either that their policy was mistaken and their measures uncalled for, or that that policy is wholly insufficient to meet the requirements of the case, and that their treatment of the disease had irritated the patient without materially advancing his progress towards health.

Disappointing as this decision may appear to some persons, and strongly as I am opposed to delay in dealing with financial embarrassment, I entertain no doubt that the course which the Government of India (with the sanction of Her Majesty's Secretary of State for India) have decided to adopt in the present conjuncture is the wisest under the circumstances, and I trust that the Indian public will acknowledge the difficulties of the present position, and will not press for a hasty decision, or the inconsiderate adoption of measures which must, from the very nature of the case, prove to be either inadequate or unnecessary.

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36. I have already explained that our position in the coming year depends almost entirely on the course of exchange, and, though I must recur to the subject again, I have no intention of adding to the mass of literature that has grown up in connection with the currency question.

The arguments for and against an International settlement of that question, and the arguments for and against independent action on the part of India, appear to me to have been exhausted. Every scheme that it has been possible for human ingenuity to devise has been elaborated with the utmost care, and pressed on the attention of a perplexed and suffering public as being, in the opinion of its authors, a safe and infallible remedy for undoubted evils. I must plead guilty in my own case to having added something to the burdens of

the patient public; but I hope I have not, as sometimes happens in the heat of argument on the currency question, ever used language which conveyed the impression that I looked upon the man with whom I had the misfortune to differ in opinion, as being necessarily a person of doubtful honesty, and deficient in ordinary intelligence. If I have done so, I retract and apologise. The matter is too serious to permit of any weight being attached to merely personal considerations, and I think I may now fairly call on the disputants to recognise that the suit has, for the time being, passed beyond the stage of pleading and of argument, and that it only remains to await the decision of the tribunal. If the members of that tribunal decide that a remedy is possible by means of independent action on the part of India, and should be tried, let us, whatever our private and personal opinions may be, accept that decision and loyally endeavour to give effect to it. In asking others to accept a decision which they may, possibly, not wholly approve, I am not requiring them to do something which I am not prepared to do myself. The remedy which I have always advocated, which I still prefer, and which I hope may some day be adopted, is the solution of the currency question by international agreement; yet this is the solution which, at the present moment, is not under consideration.

If, on the other hand, it be decided that, having regard to the interests of India in their widest sense, no remedy for our undoubted difficulties by means of independent action on the part of this country is practicable, or should be attempted, it will be our plain and obvious duty to address ourselves, as best we may, to the task of establishing, securing, and maintaining, the integrity of the financial position of India. That task may be a heavy one, but difficulties that are met in the right spirit are already half overcome, and I have confidence in the resources of the country, and in the industry of its people.

37. In the first Financial Statement which issued under my name, just four years ago, after calling attention to the financial dangers that threatened us in connection with the question of Exchange and the fall of the Opium Revenue, I remarked that, "if we could "get rid of the Exchange difficulty, I should be pre- "pared to adopt a hopeful view of the future, and "if "there were, in addition, no risk of a great war, I "should look forward to our progress in coming years "with as much confidence as it is ever safe to feel in "financial matters."

In the following year, when dwelling on the improvement that had taken place in the course of 12 months, and on the grounds for expecting further improvement in the immediate future, I added the following words:—

"I fully recognise that we have difficulties of no slight magnitude still to meet, that the finances are exposed to many dangers, and that unforeseen disasters might for a time upset our calculations. There is every need for caution and for economy, and I should greatly regret if anything I now say, or have said in the past, conveyed the impression that the Government of India are in a position to embark on a policy of adventure of any description."

When I made these remarks the tide of Indian financial prosperity was rising, and it was held in some quarters that the policy I advocated was unnecessarily timid. The remission of taxation, it was said, would relieve the springs of industry, and public works should be vigorously prosecuted with funds raised by gold loans in London.

One of those disasters, the occurrence of which a study of the history of the Indian finances, and more than 20 years' practical experience of their working, had taught me to regard as possible at any moment, and on the shortest warning, has now come upon us, and I do not think the critics will look back with much satisfaction to the opinions they formerly expressed; for my part I have no wish to dwell on the subject, and I recall the matter at the present time, merely with the object of adding force to what I have now to say.

Even under present circumstances, when the horizon is dark with the approach of what may prove to be the greatest financial convulsion of the present century, I do not draw back from the opinion I formerly expressed, that the revenues of India are adequate to meet her wants; but I wish to say in the most emphatic terms that, if the Ship of State is to pass successfully through the storm which she is now entering, our measures must be taken in due time, must be regulated by prudence and forethought, and must be carried into execution with strict regard to economy.

* * * * * *

Summary.

103. The principal features in this Statement are,—

(*a*) The Accounts of 1891–92 have closed with a surplus of Rx. 467,535.

(*b*) The Revised Estimates of 1892–93 show a deficit of Rx. 1,081,900, against the surplus of Rx. 146,600 shown in the Budget Estimates of the year. The sterling Expenditure has considerably exceeded the Budget Estimates; the Expenditure in India has on the whole been less than the Estimates, a considerable increase in Military Expenditure having been more than counterbalanced by a large saving in Opium Expenditure in consequence of the failure of the crop: the Revenue has shown satisfactory progress. If the rate of exchange taken in the Budget Estimate, 1*s.* 4*d.* the rupee, had been realised, there would have been a surplus somewhat higher than that shown in the Budget Estimates. But the fall in the rate of exchange to 1*s.* 3*d.* has caused an increase of Expenditure of Rx. 1,635,300, and converted the surplus into a heavy deficit.

(*c*) The Budget Estimates of 1893–94 show a deficit of Rx. 1,595,100.

(*d*) The main cause of the deficit of Rx. 1,595,100 is the fall in the rate of exchange. The currency question is now under the consideration of the Secretary of State. Till he has decided what action, if any, should be taken, in regard to the currency, it is impossible to say whether the deficit in the coming year will be of the amount shown in the Budget Estimate, or whether it will be largely increased, or will disappear and become a surplus. The decision of the Secretary of State is expected to be not much longer delayed, and in the circumstances just stated the Government of India have postponed for the present the determination of the measures to be taken to place the finances in equilibrium.

(*e*) The rate of exchange is taken at 1*s.* 2$\frac{3}{4}$*d.*, and at that rate the direct addition to the expenditure caused by the fall from 1*s.* 4*d.* is estimated at Rx. 1,989,400.

(*f*) The sterling expenditure will be somewhat less than for the Budget Estimate of 1892–93. The Expenditure in India will, on the other hand, be considerably higher. The estimate of net revenue from Opium is taken at Rx. 5,061,200, being lower than the amount taken for any of the last 22 years. A substantial improvement in Railway Revenue and in the Revenues generally is anticipated.

(*g*) The Capital Expenditure on Railways and Irrigation Works not charged against Revenue is estimated at Rx. 3,986,700 in 1892–93 and at Rx. 3,550,000 in 1893–94. These sums are in addition to Rx. 1,215,400 charged against Revenue and the Famine Grant in 1892–93, and Rx. 1,119,300 charged against the Famine Grant in 1893–94.

(*h*) It is expected that the Secretary of State will, in 1893–94, sell Council Bills to the amount of 18,700,000*l.*, and raise a loan of 1,300,000*l.* for the discharge of Railway Debentures. These announcements are accompanied by the usual reservation of entire liberty to the Secretary of State to vary the amounts to be obtained by bills, or raised by loan, as he may find occasion.

(*i*) The estimates provide for the issue of a loan in India of Rx. 3,000,000. Full liberty is, however, reserved to the Government of India to raise a smaller or a larger loan, or not to raise a loan at all if it should appear later that none is required.

(*j*) The dominant factor influencing the financial position of India at the present time is the rate of Exchange. If that rate rises as high as 1*s.* 4*d.*, the deficit shown in the Budget Estimates will disappear; if it falls still further, the deficit will be further increased; it is impossible for the Government of India to decide what measures should be taken for the restoration of financial equilibrium, until the Home authorities have given their decision on the currency question.

D. BARBOUR.

Calcutta,
23rd March 1893.

No. 46.

The GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, Simla, 3rd May 1893, No. 134.

MY LORD,

IN continuation of our Despatch, No. 85, dated the 1st March 1893, we have the honour to transmit (in original) 235 memorials from the officers named in the annexed schedule,* addressed some to your Lordship and some to the Government of India, representing the hardship caused to them by the fall in the exchange value of the rupee.

2. We also forward copies of the two letters noted below† in regard to the same subject.

We have, &c.,
LANSDOWNE.
G. S. WHITE.
P. P. HUTCHINS.
D. BARBOUR.
A. E. MILLER.
H. BRACKENBURY.
C. B. PRITCHARD.

Enclosures in No. 46.

From E. R. HENRY, Esq., C.S., Inspector-General of Police, Bengal, Lower Provinces, to the CHIEF SECRETARY to the Government of Bengal, No. 917, dated Camp Bankura, 26th–31st January 1893.

While forwarding the accompanying memorials‡ I take the opportunity, at the request of the memorialists and others, to submit, as head of the Department, for the consideration of Government, some remarks on the position and prospects of the officers with European domicile, and on the intolerable burden placed upon them by the fall in the exchange value of the rupee.

2. There are 103 officers in the superior grade of the Bengal Police; with the exception of four, all are Europeans, and more than 80 per cent. have European domicile.

The latest gradation list shows that the junior officer in the 1st grade of District Superintendents on Rs. 1,000 a month, is in his 31st year of service, the junior officer in the 2nd grade, on Rs. 800, is in his 27th year, and the junior officer in the 3rd grade, on Rs. 700, is in his 25th year of service. Promotion has been unduly arrested, and is now at a standstill. Of the 50 European officers holding the rank of District Superintendent 41 are married.

Most Bengal police officers are under the Indian Service rules, and are entitled to one year's furlough after ten, and two years' furlough after 18 years' service. Thirty years' service entitles them to the full pension, and towards this period two years taken on furlough count, provided that the furlough is taken out of India.

3. The urgency of their case can be best illustrated by taking a specific instance. As already stated, 80 per cent. of our officers with 10 years' service are married, and to make provision for their families in the event of death must either insure their lives or join the Uncovenanted Service Fund. To secure a reasonable allowance their subscription will represent a sum not less than from 10 to 15 per cent. on their salary. The income available for the maintenance of an officer taking furlough is one half his average salary of the preceding three years, less fund and income tax deductions. An officer of 25 years' service who has been fortunate enough to act for six months in each year in the next higher grade would draw one half of Rs. 750, less Rs. 100 (in round numbers) deducted for fund and income tax contributions, leaving a balance of Rs. 275, which, converted into sterling at 1s. 3*d.*, would yield 205*l.* yearly, a sum insufficient to defray the cost of passages home and back and the expenses of a man and his family for ten months in Europe. Officers without private means cannot take furlough to Europe. Taking furlough in India is unprofitable, and it does not count towards pension. As a consequence furlough is not taken, or is very sparingly taken, however pressing the need be.

4. The conditions affecting sick leave are similar. Officers now compelled to take such leave come back encumbered with debt, which it takes them some time to clear off.

5. The position of a man who has sent his family home to have his children suitably educated is one of peculiar hardship. I cite again the case of an officer of 25 years' service as fairly typical, for he joined when the rupee was worth not less than two shillings. His available income is represented by Rs. 750 pay and allowances, less Rs. 100 fund and income tax deductions. A remittance of Rs. 400 a month at 1*s.* 3*d.* will yield his family 300*l.* a year, the smallest amount which his wife, if at home with two children or more, could live upon. The balance available for his own expenditure is Rs. 250 a month, which is the salary allowed to a probationer. At the time he joined the service a monthly remittance of Rs. 250 would have yielded his family 300*l.* a year. His direct loss by the fall in exchange is Rs. 150 a month, a sum which, estimated in promotion, represents from five to seven years' service. I need not dilate upon the anxiety, disappointment, loss of zeal, energy, and health, which must result from the pressure of financial difficulties of this nature.

6. Instances have come to my knowledge of men who, by the exercise of self denial, have hitherto succeeded in keeping their children at home, being now compelled to bring them out. Although they realize that the break in educational training must be harmful, and that there is no outlet in this country for European youths, they have no alternative, as it is no longer in their power to remit sufficient for the home expenditure of their family, while keeping back what is required to meet their own necessary expenses. This is an aggravation of hardship, for the self-denying efforts of past years are rendered infructuous at the most critical time of the children's career.

7. The Public Services' Associations are taking steps to bring before Parliament the claims to redress of their members, and this advocacy may be deemed to be sufficient. My reason for addressing Government is that I see indications, if the concession in respect of furlough, sick leave, and Home remittances, is much longer withheld, of the efficiency of the police service being impaired.

8. There are men now serving who, through long residence and service not broken by leave, have grown slack and listless, and who should, in the public interests, be required to take furlough. This obvious and appropriate course cannot be followed, as it would have the effect of plunging them into a slough of debt from which they might not be able to extricate themselves.

9. I know officers with families at home who reserve for themselves an income insufficient to enable them to live in a way befitting their position, or even to have the comforts needed to keep them in health and strength.

10. It is not possible that the present state of financial tension can continue without administrative scandals resulting. No officials are exposed to greater temptations than police officers. They wield great powers for good or for evil. Hitherto the officers of the Bengal police have enjoyed an honourable reputation; they possess an untarnished record, which, I trust, will be maintained. The system of recruitment ensures that they shall be gentlemen, and as such possessing honourable traditions. But experience shows that no class of public servants, whatever their antecedents, can be trusted to remain incorruptible, if the income they receive from the State is insufficient for their legitimate requirements. This is the point which has now been nearly reached, and the situation, therefore, is one of peril.

11. I attempt no actuarial calculation of the cost of making these concessions, as I have not sufficient data. It will be seen that the concessions, as regards furlough and sick leave, would cost a relatively small sum, even if the same rate as that adopted for pensions (1*s.* 9*d.*) be conceded.

12. In conclusion, I trust that the Lieutenant-Governor may see fit to give his powerful advocacy to the cause of the memorialists.

From C. L. TUPPER, Esq., Chief Secretary to Government, Punjab, and its Dependencies, to the SECRETARY to the Government of India, Financial Department, No. 408, dated 3rd March 1893.

With the letters from this Government, of which the numbers and dates are quoted in List A. appended

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* Not reprinted.

† 1. From the Inspector General of Police, Bengal, Lower Provinces, to the Government of Bengal, No. 917, dated the 26th January 1893.
2. From the Government of the Punjab to the Government of India, No. 408, dated the 3rd March 1893, and enclosure.

‡ Eighteen memorials.

hereto,* were submitted for disposal by the Government of India memorials from the officers mentioned in the list on the subject of exchange; I am now directed by the Lieutenant-Governor to submit the further memorials on the same subject, detailed in List B.,* and in doing so to convey the following remarks.

2. Sir Dennis Fitzpatrick fears he is altogether incompetent to discuss adequately this very difficult question of the fall in the gold value of the Indian silver coinage, but he feels bound to state that the hardship entailed by the depreciation of the rupee on officers, and especially on officers who are married, as most officers of a certain standing now are, is extremely great. His Honour will say nothing of the loss involved by having to pay much higher prices for all European articles in this country, which, added to the largely increased general cost of living, is very serious, but will refer only to the loss on money actually remitted to England. This is much felt even by officers drawing high salaries and able to save a little. The amount that would ordinarily be saved now-a-days by the chosen few who attain the rank of Commissioner would, in the case of a man who is married, and who does not choose to live with a degree of parsimony unbecoming his position, under any circumstances be very small, probably not more than from 3,000*l.* to 4,000*l.*, and to have that cut down as it is at present by the depreciation of the rupee is beyond question a great hardship. The case of the general run of married officers who do not attain the higher positions is far worse. Many of these officers find it impossible to live in the degree of decency becoming their positions in India, and at the same time send their children home and give them an education suitable to their rank in life.

3. Sir Dennis Fitzpatrick believes that the officers employed on Civil duties in India are, with exceptions which do not amount to more than two or three in a thousand, as honourable and high-minded a set of men as any Government ever had the good fortune to be served by; but their powers and responsibilities are so great, and of such a nature, that they ought not to be entrusted to any men who are not well above the reach of pecuniary temptation. His Honour is happy to say that he has seen no sign of deterioration in the service as yet. But it is inevitable that, if some relief is not afforded, and a certain proportion of the services comes to labour under pecuniary difficulties, the number of black-sheep, which is now infinitesimal, must increase; and, though the increase might be small, it will be sufficient to lower the credit and position of the service as a whole, and the respect which it now commands in the eyes of the people of the country.

4. The remedy that the Lieutenant-Governor would venture to propose is that each officer should be allowed to remit a certain proportion of his pay to England, and also to receive his furlough allowances in England at a favourable rate of exchange. The details of a system of remittances would have to be further considered, more especially the proportion of salary to be remitted, which should probably vary for salaries of different amounts, and with reference to the proportion of the salary which at different stages of his service a man would ordinarily have to send home. The rules applicable to the family remittances of officers and soldiers not serving with British corps may probably afford a good basis for the detailed consideration of this part of the remedy proposed. The main principle of these rules is that the family remittance shall be made *bonâ fide* for the benefit of families and immediate relatives, and not for the personal benefit or use of the remitting officer. What seems to be required is the extension of this principle to members of the Indian Civil Service and officers serving in other Departments, with a readjustment of the amounts allowed to be remitted proportioned to salary as above suggested.

* Not reprinted.

5. As regards furlough allowances, the question apparently rests on a different footing, inasmuch as the different maxima of leave allowances laid down in Articles 346 and 373 of the Civil Service Regulations prevent complaint of loss by the fall of exchange in the case of officers who at the rate of exchange fixed from time to time would be entitled to these maxima. These cases, however, are in the minority, and the great majority of officers fail to obtain the maxima, and draw very much less than they would under a better state of the exchange in consequence of the fall in the value of the rupee. With the rupee at the present (official) rate of 1*s.* 4¾*d.*, the maximum furlough allowances, viz., 250*l.* a quarter for the Indian Service, 200*l.* a quarter for other officers subject to the leave rules of the European services, and 150*l.* a quarter for the Indian services, are equal to Rs. 1,194. 0. 6, Rs. 955. 3. 7, and Rs. 716. 6. 8. An examination of the rates of salary prevailing in the Civil Departments in the Punjab will show how few officers receive the maximum furlough allowances. By way of illustration, taking the Commission, including the three Civilian Judges and the Registrar of the Chief Court, the graded list of the Education Department, and the Police Department, as representative of the three classes of officers mentioned above, it will be seen that there are only 15 appointments* in the Commission of which the half salary is equal to the maximum furlough allowance of the Indian Civil Service calculated at the above rate of exchange, while in the Education Department there is no more than one appointment, and that the Head of the Department, in which the maximum leave allowance could be earned. In the Police Department there are only three appointments in which these allowances could be earned, those, namely of the Inspector-General of Police and of the two Deputy Inspectors General.

Under the existing state of things officers are prevented from going on leave when they really require to do so, and when they are at home are often placed in a position either of actual embarrassment, or, at all events, of such a kind as hardly befits their status in the Service. The Lieutenant-Governor thinks that this matter of the reduction of furlough allowances, owing to the depreciation of the rupee, is one that deserves serious consideration, and he trusts that it will be found possible to relieve the hardship under which most officers labour in this respect, which is undoubtedly grievous, by fixing some favourable rate of exchange for the payment of furlough allowances.

* 2 Financial Commissionerships.
6 Commissionerships.
3 Divisional Judgeships, 1st Grade.
3 Judgeships, Chief Court.
1 Secretaryship.

No. 47.

Telegram from the VICEROY to the SECRETARY OF STATE, 13th May 1893.

Indian Currency Association again call attention to public anxiety as to Currency question, and to embarrassing effect of recent fluctuation. They refer to public assurances that Herschell's Committee was to report at early date, and ask whether you have any information as to date when report may be expected.

No. 48.

Telegram from the SECRETARY OF STATE to the VICEROY, 16th May 1893.

Yours 13th. I much regret delay in Currency Committee's report, which is unavoidable. It must be remembered that report cannot be made public till Government decide on course to be taken on it.

APPENDIX II.

General Information and Statistics.

(a.) General Information.

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(*a.*)—General Information.

Information received through the Foreign Office.

DENMARK.

Her Majesty's Minister at Copenhagen to the Secretary of State for Foreign Affairs, 14th January 1893.

My Lord,

With reference to your Lordship's Despatch No. 16 of this series, of the 16th November last, enclosing copy of certain inquiries relating to the currency system in Denmark, I have the honour to transmit to your Lordship herewith copy of a note from Baron Reedtz-Thott, containing the information in answer to the inquiries in question.

I have, &c.
Francis Denys.

Enclosure.

Copenhagen,
Monsieur, le 13 Janvier 1893.

Par une note datée le 18 Novembre de l'année passée, Sir H. MacDonell m'a prié de répondre aux quatre questions suivantes:—

1, 2. Les particuliers peuvent-ils exiger que leurs monnaies d'argent, ou leurs billets de banque, soient reçus par le Gouvernement, ou par la Banque Nationale, en échange de la valeur nominale en pièces d'or?

Dans l'affirmative y'a-t-il un agio, et à combien s'élève-t-il?

3. Dans la négative, par quels moyens le particulier, ayant besoin de l'or pour l'exportation, pourra-t-il s'en procurer?

4. Par quels moyens le Gouvernemeut ou la Banque pourront-ils se procurer de l'or? Comment la réserve est-elle protégée? A quelles conditions en donne-t-on aux particuliers?

Ayant demandé à mon collègue M. le Ministre des Finances de me mettre en mesure de déférer a votre désir, j'ai l'honneur de vous communiquer à qui suit:

1°. L'ancien système monétaire du Danemark était basé sur l'étalon d'argent; le nouveau système, établi par la loi du 23 Mai 1873, est basé exclusivement sur l'étalon d'or, l'argent et le cuivre ne pouvant être employés que dans les monnaies de billon, et ces coupures sont échangées, à bureau ouvert, contre de l'or, du moment qu'on lui rapporte un nombre suffisant pour égaler une pièce d'or. Ainsi l'échange se fait sans aucun agio. Une union monétaire ayant été établie entre le Danemark et les Royaumes-Unis par des conventions du 27 Mai 1873 et du 16 Octobre 1875, les monnaies Suédoises et Norvégiennes circulent en Danemark, et *vice versâ*, dans les mêmes conditions que les monnaies du pays.

2°. La Banque Nationale est le seul établissement en Danemark qui ait le droit d'émettre des monnaies fiduciaires, et ses billets sont toujours remboursable à vu avec de l'or. Ainsi il n'y a pas d'agio entre les billets de banque et l'or.

3°. Il ressort de ce qui précède que les particuliers ayant besoin d'or pour l'exportation peuvent toujours s'en procurer.

4°. Le Gouvernement ne possède pas de réserves en or, mais la Banque Nationale pourra s'en procurer facilement, en retirant ce qui lui est dû par ses correspondants à l'étranger. Pour protéger ces réserves d'or, la Banque n'a besoin que d'élever le taux de son escompte.

Veüillez, &c.
Reedtz-Thott.

Sir F. Denys,
Chargé d'Affaires de S.M.B.

FRANCE.

Her Majesty's Minister at Paris to the Secretary of State for Foreign Affairs, 17th January 1893.

My Lord,

In reply to your Lordship's Despatch of this series, No. 233, of the 16th of November last, I have the honour to transmit herewith a paper giving the replies furnished by the French Government in answer to the questions relating to the currency system which the Indian Government were desirous of obtaining.

I have, &c.
Dufferin and Ava.

Enclosure.

Ministère des Finances.

Direction du Mouvement général des Fonds.

1°. Les détenteurs d'argent monnayé peuvent-ils exiger, du Gouvernement ou d'une Banque Nationale quelconque, de l'or en échange du dit argent, à des cours fixés, avec ou sans prime, ou avec quelle prime?

Les détenteurs de monnaies d'argent ne peuvent en aucun cas exiger l'échange de ces monnaies contre des monnaies d'or.

2°. Les détenteurs de papier monnaie peuvent-ils exiger, du Gouvernement ou d'une Banque Nationale quelconque, de l'or en échange de ce papier, à des cours fixés, avec ou sans prime, ou avec quelle prime?

Le Gouvernement n'échange pas le papier monnaie (Billets de la Banque de France), qui a cours légal comme les monnaies métalliques.

3°. Si non, comment les personnes ayant besoin d'or pour l'exportation se le procurent-elles? et à quel prix?

Les personnes qui ont besoin d'or pour l'exportation l'achètent sur la place au cours.

4°. De quelle façon le Gouvernement et la Banque Nationale se procurent ou protègent-ils leur (provision) encaisse d'or? et sous quelles conditions cèdent-ils l'or?

Le Gouvernement et la Banque constituent et protègent leur encaisse or, en utilisant dans leurs opérations, suivant les circonstances, et dans une proportion plus ou moins grande, soit les monnaies fiduciaires, soit les monnaies d'argent.

Le Gouvernement ne fait pas de cession d'or et ne s'en dessaisit comme les autres monnaies, d'ailleurs que par la voie des paiements faits à ses créanciers.

NETHERLANDS.

The Foreign Office to the India Office, 16th November 1892.

Sir,

I am directed by the Secretary of State for Foreign Affairs to transmit to you, to be laid before the Secretary of State for India in Council, copy of a despatch and one of its enclosures relative to the currency system of the Netherlands.

I am, &c.
E. Grey.

Enclosures.

Her Majesty's Minister at the Hague to the Secretary of State for Foreign Affairs, 10th November 1892.

No. 125, Commercial (Confidential).

My Lord,

In the course of some private conversation I recently had with the Minister of Finance, Monsieur Pierson, the subject of the approaching Monetary Conference at Brussels being mentioned, his Excellency observed, as he had already done on a previous occasion, that he did not expect its deliberations would lead to anything, for the simple reason that, in his opinion, no International Agreement could be arrived at on the main subject to be discussed. He was disposed to think that the evils complained of in connexion with the depreciation of silver would be in part remedied, at no distant time, by a marked increase in the output of that metal, and a corresponding larger output of

gold. Of the latter, the mining operations in the Transvaal already afforded considerable promise. There was nothing for it, he believed, but to wait till these natural causes brought about a better ratio as between the two metals. At the same time, he was not one of those who feared that there would ever be too great a redundancy of silver, it becoming more apparent every day how large is the consumption of it for industrial purposes all over the world.

As an illustration of the material cost that would arise to this country out of an attempt to resort to bimetallism, Monsieur Pierson gave me the following figures:—If it were desired, for instance, to raise the ratio of silver to gold from its present rate of 15⅝ to 24, such an operation could be carried out at an expense of some sixty millions of florins (5,000,000*l.*). It could only of course be done in two ways, either by diminishing the weight of the gold coins, which would be equivalent to robbery, or by increasing the weight of the silver coins at the above-mentioned cost. And this expenditure would only apply to the kingdom itself, without its dependencies. As regards the latter no accurate calculation could be made, it not being possible to ascertain the amount of silver circulating in Netherlands India, while the circulation in Holland could be estimated within a fraction.

On my referring to the serious effects of the present state of things on our Indian possessions, Monsieur Pierson observed that he believed the best remedy that could be applied there would be the closing of the mints, and the adoption of a measure on the same lines as the Dutch Act of 27th April 1884.

Under this Act, of which I have the honour to enclose a copy, the Minister of Finance is empowered, whenever he may deem it necessary with a view to the condition of the coinage, to cause to be melted into bars an amount of at most twenty-five million florins (2,083,333*l.*) in Netherlands' rijksdalers at fl. 2·50 each (4*s.* 2*d.*), and to sell those bars through the medium of the Bank of the Netherlands.

From an official explanatory statement, likewise herewith enclosed, drawn up by Monsieur Vroolich, of the Netherlands Mint, and published at the time, which Monsieur Pierson was good enough to furnish me with, it will be seen that the measure taken, which was severely attacked on its introduction, both in this country and abroad, was resorted to on account of the great drain of gold which took place in the years 1882 and 1883, and which, in January of the latter year, had reduced the stock of that metal in the Netherlands Bank to less than five millions of florins (416,666*l.*). The powers conferred have never been used, but to the fact of its being known that they are available in case of an emergency Monsieur Pierson is disposed to attribute, in a great measure, the steady working of the monetary system of this country.

I have, &c.
HORACE RUMBOLD.

Enclosure in above.

TRANSLATION of the LAW of the 27th April 1884, making further provision with regard to COINAGE.

We, William III., by the Grace of God, King of the Netherlands, Prince of Orange Nassau, Grand Duke of Luxemburg, &c. To all those who see or hear this Grace. We, having taken into consideration that it is desirable to make further provisions with regard to coinage, having heard the Council of State, and with the consent of the States General, have decreed as follows:—

Single Article.

Our Minister of Finance is empowered, whenever he may deem it necessary and having regard to the condition of the coinage, to cause to be melted into bars an amount of at most twenty-five million florins in Netherlands rijksdalers, and to sell these bars by the medium of the Netherlands Bank.

Before making use of this permission, our beforenamed Minister has the guidance of the section of the Council of State which is in relation with the Department of this Minister.

This decision, issued by the section of the Council, is to be communicated to the Legislative Power as soon as the requirement of the country permits.

We command that this be placed in the Staatsblad, and that all the Departments of State, authorities, assemblies, and officials, as far as it concerns them, shall co-operate in carrying out this new Ordinance.

Given at Orange Nassau, 27th April 1884.

WILLEM.

Issued the 30th April 1884.

Minister of Justice, Du Tour Van Bellinchave.

LETTER from the FOREIGN OFFICE to the INDIA OFFICE, dated 25th November 1892.

SIR,

WITH reference to your letter of the 12th instant, I am directed by the Secretary of State for Foreign Affairs to transmit to you, to be laid before the Earl of Kimberley, a despatch, as marked in the margin, relative to the currency system of the Netherlands.

I am, &c.
E. GREY.

Enclosure 1.

HER MAJESTY'S MINISTER at the HAGUE to the SECRETARY OF STATE FOR FOREIGN AFFAIRS, dated 18th November 1892.

No. 131, Commercial.

MY LORD,

IN reply to your Lordship's Despatch, No. 40 of this series, of the 16*th* instant, I have the honour to enclose replies to the four inquiries relating to the currency system of this country, which I have procured from the best possible source.

I may add that I am assured from the same source that the monetary arrangements at present in force here have been found to work admirably, and that since their adoption there has never arisen the slightest premium on gold.

I have, &c.
HORACE RUMBOLD.

Enclosure 2.

ANSWERS to QUESTIONS by the INDIAN CURRENCY COMMITTEE.

1. Can persons holding silver coin require the Government or any National Bank to give them gold for it at the fixed rates, with or without any and what premium?

No, they cannot.

2. Same question as to persons holding paper?

Nobody can require gold.

3. If not, how do persons wanting gold for export procure it? and at what price?

The Netherlands Bank has adopted the system of giving gold freely whenever it is wanted for exportation, and without ever asking a premium, provided the gold par of exchange is really against the country.

It is just the opposite of the French system. In France the Bank gives gold for the internal circulation freely, but not so for exportation. Our system is, since silver coin serves the purpose as well at home, to keep the gold in the Bank till it is wanted for foreign payments.

4. How does the Government or National Bank procure and protect its supply of gold? and on what terms does it part with gold?

In the same manner as the Bank of England. It parts with gold at the Mint price.

LETTER from the UNDER SECRETARY OF STATE FOR FOREIGN AFFAIRS, dated 15th March 1893.

SIR,

WITH reference to my letter of the 25th November last, I am directed by the Secretary of State for Foreign Affairs to transmit to you, to be laid before the Earl of Kimberley, copy of a letter from the Netherlands Minister of Finance relative to the monetary system of the Netherlands.

I am, &c.
E. GREY.

Enclosure.

EXTRACT of LETTER from M. PIERSON.

"Till 1872 we had a pure silver standard. At that time the fall of silver commenced, and in consequence the Mint was closed for the coinage of silver, though, of course, the old silver money remained legal tender to every amount. In 1875 a gold coin of 10 florins was introduced, the coinage of which is unlimited. Hence our 'Etalon boiteux.' It is not the double standard, because the coinage of silver is prohibited; nor the single standard either, because silver remains legal tender.

"The relation between both is 15·62, and this relation has been constantly maintained, because the silver circulation proved not excessive. Besides, there is an Act (27th April 1884) which empowers Government to melt and sell silver coins to a maximum amount of 25,000,000 florins, should the necessity for doing so arise. But this necessity has not arisen till now, nor is it very probable that it will arise.

"As regards India, its monetary relations between it and Holland are just the same as those between England and Scotland. For monetary purposes Holland and all its colonies are one country.

The Hague,
10th March 1893.

SWEDEN AND NORWAY.

H.M.'s CHARGÉ D'AFFAIRES in SWEDEN to the SECRETARY OF STATE FOR FOREIGN AFFAIRS.

Stockholm,
MY LORD, 24th January 1893.

ON receipt of your Lordship's Despatch, No. 37, Commercial, of 16th November last, Sir Francis Plunkett at once asked, through the Minister for Foreign Affairs, to be favoured with the information desired by the Secretary of State for India on the currency system of Sweden and Norway respectively.

I have now the honour to transmit to your Lordship herewith the official replies to the four questions enclosed in your Lordship's above-mentioned despatch, which replies Count Lewenhaupt has been so good as to procure from the Ministers of Finance of the two Kingdoms.

Further details with respect to the manner in which the Swedish State Bank procures and keeps up its supply of gold are contained in the report on the working of that bank, forwarded to your Lordship by Sir F. Plunkett in his Despatch, No. 8, Commercial, of the 19th instant.

I have, &c.
HUGH GOUGH.

Enclosures.

CURRENCY SYSTEM of SWEDEN.—REPLIES to FOUR QUESTIONS.

1. As Sweden possesses a system of currency founded on gold as the only measure of value, all the silver coin in circulation is of the nature of fractional currency.

Whilst gold coin is a legal tender (means of payment) to every person and to any amount, silver coin is only a legal tender between one man and another up to the amount of 20 kronor (22 shillings). But the State Treasury and the State Bank exchange it for gold coin at its face value up to an unlimited amount.

2. The holder of paper money is absolutely entitled to receive gold at par in exchange for his notes at whatever bank—whether the State Bank or a private bank—his notes were issued.

3. Already answered in No. 2.

4. The State Bank draws gold, as required, from abroad, where it is bound always to have large balances. As already stated, the Riksbank pays out gold for its notes and for fractional currency.

CURRENCY SYSTEM of NORWAY.—REPLIES to FOUR QUESTIONS.

1. The Norwegian money-system is founded on gold. Silver is only used as fractional currency, and anyone can obtain from the Treasury an unlimited amount of gold coin, without paying any premium, in exchange for a similar nominal value of similar currency, divisible by 10 kronor (=11 shillings).

It should, however, be added that, in practice, silver currency is nearly always exchanged into bank notes, owing to gold being hardly ever used for payments in Norway.

2. Only the Bank of Norway is empowered to issue notes payable to bearer. The bank is bound to pay over, on demand, their full nominal value, without any diminution, in Norwegian gold coin.

3. Answer to this question included in first two answers.

4. There are no special rules relating to this question. The Treasury does not require any large supply of gold, owing to gold not being used practically in the Kingdom. If, however, the Treasury requires gold, it obtains it, against notes, in the Bank of Norway. The Bank protects its supply of gold by raising the discount rate when necessary.

UNITED STATES.

The FOREIGN OFFICE to the INDIA OFFICE,
21st December 1892.

SIR,

WITH reference to your letter of the 12th ultimo, I am directed by the Secretary of State for Foreign Affairs to transmit to you, to be laid before the Secretary of State for India in Council, a letter which has been received from the Secretary of the American Treasury, containing the information requested about the currency system.

I am, &c.
E. GREY.

Enclosure.

Letter from the ACTING SECRETARY OF THE AMERICAN TREASURY, dated Washington, 1st December 1892.

SIR,

I HAVE the honour to acknowledge the receipt of your letter of the 28th ultimo, transmitting a note from the British Minister at this capital, with four questions relative to the currency system in this country. The questions are answered as follows:—

I. No person holding silver coins of the United States can require the Government or any National Bank to give gold in exchange for them.

II. No person holding paper money of the United States can require a National Bank to redeem the same in gold. National Banks are conducted by private enterprise, and are not in any way responsible for paper money, except the notes of their own issue which they must redeem in lawful money (United States notes). The holder of gold certificates may demand of the United States their redemption in gold. The holder of United States notes and Treasury notes of 1890 is entitled to their redemption in coin, and gold coin is given when desired.

III. Persons wanting gold for export usually obtain it by presenting for redemption, at the office of the United States Assistant Treasurer at New York, some obligation which the United States is obliged, or is willing, to redeem in gold; or they may obtain it from the general stock of gold in banks and private hands.

IV. The Government procured a supply of gold in 1878 by the sale of bonds for gold, and by reserving the surplus receipts from duties on imports. It has heretofore protected its supply by means of gold received for duties, and by exchange of currency for gold at times when such exchanges have been practicable.

I am, &c.
O. L. SPAULDING,
Acting Secretary.

From HER MAJESTY'S MINISTER at WASHINGTON to the SECRETARY OF STATE FOR FOREIGN AFFAIRS, 22nd December 1892.

MY LORD,

I HAVE the honour to enclose copies of a Bill introduced on the 7th instant in the Senate by Mr. Hill, together with an amendment to it proposed by Mr. Stewart, to repeal the so-called Sherman Silver Act of 1890.

I have also the honour to enclose copies of a resolution which was introduced on the 21st instant in the Senate by Mr. Macpherson, authorizing the Secretary of the Treasury to suspend all further purchases of silver under the above-mentioned Act.

It is not thought probable that any anti-silver legislation will be enacted during this session of Congress, in spite of the agitation which has been set on foot for the repeal of the Sherman Act; for, in the first place, the silver men in the present House are numerous enough to prevent any such action; and secondly, the Republicans, I have reason to believe, are anxious to delay the question until after Mr. Cleveland's inauguration, in order that the whole responsibility for any measure that may be adopted may rest with the Democrats.

I have, &c.
JULIAN PAUNCEFOTE.

Enclosures.

No. 1.

52nd Congress, 2nd Session.

S. 3534.

In the Senate of the United States, 7th December 1892. Mr. Hill introduced the following Bill, which was read twice and referred to the Committee on Finance.

A Bill to repeal the Act of 14th July 1890, entitled "An Act directing the purchase of silver bullion "and the issue of Treasury notes thereon, and for "other purposes."

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that the Act of 14th July 1890, entitled "An Act directing the purchase of silver bullion and "the issue of Treasury notes thereon, and for other "purposes," is (with the exception of the 5th and 6th sections thereof) hereby repealed.

No. 2.

52nd Congress, 2nd Session.

S. 3534.

In the Senate of the United States, 12th December 1892. Referred to the Committee on Finance, and ordered to be printed.

Amendment intended to be proposed by Mr. Stewart to the Bill (S. 3534) to repeal the Act of 14th July 1890, entitled "An Act directing the purchase of "silver bullion and the issue of Treasury notes "thereon, and for other purposes," viz., after Section 1 insert the following:—

Section 2. That the silver coins of the United States shall be composed of standard silver. That of the silver coins the dollar shall be of the weight of 412½ grains; the half dollar of the weight of 206¼ grains; the quarter dollar of the weight of 103⅛ grains; and the dime, or tenth part of a dollar, of the weight of 41¼ grains. And that dollars, half dollars, quarter dollars, and dimes, shall be legal tenders of payment, according to their nominal value, for any sum whatever.

Section 3. That silver bullion brought to any mint of the United States for coinage shall be received and coined by the proper officers for the benefit of the depositor: Provided that it shall be lawful to refuse, at the mint, any deposit of less value than 100 dollars, and any bullion so base as to be unsuitable for the operations of the mint. And all silver bullion belonging to the United States shall be coined; but such coinage shall not delay the coinage of silver bullion for depositors.

Section 4. That the depositor of silver bullion at any mint of the United States for coinage shall receive therefor silver coin or Treasury notes of the United States, to be issued by the Secretary of the Treasury in such form and of such denominations, not less than 1 dollar nor more than 1,000 dollars, as he may prescribe. The Treasury notes issued according to the provisions of this Act shall be redeemable on demand at the Treasury of the United States, or at the office of any Assistant Treasurer of the United States, in either gold or silver coin, at the option of the United States; and such Treasury notes shall be a legal tender in payment of all debts, public and private.

No. 3.

52nd Congress, 2nd Session.

S. R. 136.

In the Senate of the United States, 21st December 1892. Mr. Macpherson introduced the following Joint Resolution, which was read twice and ordered to lie on the Table.

Joint Resolution authorizing and directing the Secretary of the Treasury to suspend all purchases of silver bullion as provided in the Act of 14th July 1890.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, that the Secretary of the Treasury be, and he hereby is, authorized and directed to suspend, until otherwise ordered by Congress, all purchases of silver bullion as provided in the 1st section of the Act of 14th July 1890, entitled "An Act directing the purchase of silver "bullion and the issue of Treasury notes thereon, and "for other purposes."

INFORMATION received from the CRÉDIT LYONNAIS.

INDIAN CURRENCY COMMITTEE.

COUNTRIES using both GOLD and SILVER.

Among the Propositions considered at the first Meeting of the Committee was the proposal that accurate particulars should be obtained regarding the currencies of specified countries, under the following heads:—

(*a.*) What amount of gold do they keep, and where?
(*b.*) What is the aggregate amount of their silver currency?
(*c.*) What is the aggregate amount of their paper currency?
(*d.*) Is there any gold in circulation?
(*e.*) What is the ratio between silver and gold?
(*f.*) Is the silver convertible into gold, directly or indirectly?
(*g.*) How is the silver limited?
(*h.*) Is the silver legal tender, and to what amount?
(*i.*) Is it accepted by the Government for taxes, &c.?
(*j.*) Has any difficulty occurred?

The following answers, dated November 1892, have been received respecting France, Belgium, Italy, Scandinavia, Germany, Holland, Switzerland, the United States, and Canada.

FRANCE.

	£
(*a.*) The amount of gold in this country is about	171,000,000
Of which the Bank of France holds	67,000,000
In circulation	£104,000,000

	£
(*b.*) The stock of silver is about	140,000,000
Of which the Bank of France holds	51,000,000
In circulation	£89,000,000

	£
(*c.*) The authorised issue of the Bank of France is	140,000,000
Present issue about	132,000,000

(*d.*) *See* answer to question (*a*).
(*e.*) As in all countries of the Latin Union—15½ : 1.

(*f.*) The Bank of France has the right to refuse gold against 5-franc pieces, and may also pay its notes in 5-franc pieces. In practice there is no inconvenience so far as internal circulation is concerned, there being sufficient gold in the hands of the public; and payments are usually made in bank notes, which are preferred to coin.

(*g.*) According to the Latin Union the coinage of 5-franc pieces is suspended, and smaller currency is only coined to the extent of fr. 6 per head of population.

(*h.*) Five-franc pieces are legal tender to any amount; smaller money up to sums of fr. 50.

(*i.*) Yes, without limit.

(*j.*) Not up to the present; but difficulties may arise later on, when the other countries of the Latin Union have to pay in gold for their 5-franc pieces.

N.B.—Fr. 25 taken as = 1*l.*

BELGIUM.

(*a.*) The amount of gold in this country is estimated at about 5,000,000*l.* (some authorities give a range of from 5,000,000*l.* to 8,000,000*l.*).

Of this sum, on 31st December 1891, the National Bank held about 2,800,000*l.*, the balance, 2,200,000*l.* being in circulation.

(*b.*) Five-franc pieces, about 8,000,000*l.*; token money, 1,432,000*l.* So far as the 5-franc pieces go, this is merely an estimate, for at certain times large quantities are exported.

On the 31st December 1891, the National Bank had, in 5-franc pieces, 720,000*l.*; in smaller currency, 600,000*l.* to 640,000*l.*

(*c.*) Circulation of bank

	£	
notes	15,766,000	Balance
Bullion held by Bank	4,655,400	20th October
Foreign bills	3,743,320	1892.

(*d.*) Approximately 2,000,000*l.*, but it is impossible to say definitely, the almost constant premium of exchange on France causing the gold to be continually exported and replaced in a large measure by 5-franc pieces.

(*e.*) The proportion of the Lation Union is 15½ : 1.

(*f.*) As in all countries of the Latin Union, gold and silver (5-franc pieces) are equal legal tender up to any amount. The National Bank only pays in gold under very exceptional circumstances.

(*g.*) Coinage of silver was suppressed by the Monetary Convention of 1886. In principle it was unlimited for 5-franc pieces, and fixed for small currency at fr. 6 per head of population.

(*h.*) Five-franc pieces are legal tender up to any amount. Smaller money is accepted for payments up to fr. 50.

(*i.*) The Government accepts 5-franc pieces without limit; the same with the small Belgian currency.

(*j.*) It is not possible here to deal with so wide a question, one which gives rise to diversities of opinion among eminent economists.

Belgium is in the same position as the other Latin Union countries; but one might, perhaps, say that she, with Italy, has the greatest interest in prolonging the Union, as being constantly debtors of France.

ITALY.

	£
(*a.*) Gold held by the Issue Banks	15,400,000
,, ,, the Government	4,200,000
,, ,, other credit institutions and in circulation (approximate amount)	4,000,000
	£23,600,000

(*b.*) There is now in this country a stock of silver held by the Issue Banks, the Government, and others, amounting to 8,000,000*l.*, of which half is in 5-franc pieces and half in small coin.

(*c.*) The circulation of paper money is estimated at 57,370,000*l.*, of which 44,000,000*l.* is on account of the Banks, and 13,370,000*l.* in Government notes of fr. 5 and fr. 10.

(*d.*) *See* reply to (*a*).

(*e.*) For all countries of the Latin Union it is 15½ : 1.

(*f.*) Silver (5-franc pieces—900 fine), according to the monetary convention being legal tender on a par with gold, is not compulsorily convertible into gold.

(*g.*) In accordance with the monetary convention, the coinage of new silver 5-franc pieces has been stopped since 1878, while the coinage of smaller money has been limited to fr. 6 per head of population.

(*h.*) Five-franc pieces are legal tender to any amount. Smaller money may be received by the public up to fr. 50 each payment; Government receives it without limit.

(*i.*) *See* the preceding.

(*j.*) No inconvenience is experienced from the laws regulating the circulation of silver; but the continued high rate of exchange has caused exportation of silver (5-franc pieces and smaller money) to follow the outflow of gold, and the country has now an insufficient stock of metal. Small money is received abroad on a par with 5-franc pieces, on account of the arrangement obliging each country of the Latin Union to receive it in payment of amounts up to fr. 100.

N.B.—Fr. 25 taken as = 1*l.*

SCANDINAVIA.

a. Gold coined according to the monetary convention of the Scandinavian Union :—

	£
Sweden	3,213,400
Norway	881,150
Denmark	2,128,490
	£6,223,040

The amount of gold coin and bars held by the Scandinavian Banks on 30th September was :—

	£
Sweden	1 362,420
Norway	of 400,000
Denmark	2,611,000
	£5,473,420

(*b.*) Silver coined according to the monetary convention of the Scandinavian Union :—

	£
Sweden	987,220
Norway	382,770
Denmark	1,076,400
	£2,446,390

(*c.*) Bank notes in circulation on 30th September issued by the—

	£	£
Bank of Sweden	2,358,920	
Enskilda Banks	3,339,400	
		5,698,320
Bank of Norway		2,708,960
Bank of Denmark		4,611,110
Issue authorised (not utilised)—		
Bank of Sweden	1,686,400	
Enskilda Banks	1,130,830	
		2,817,230
Bank of Norway		385,360

(*d.*) One cannot say, even approximately, what is the amount of gold in circulation. As all the bank notes of the Scandinavian Union are convertible into gold, and as they are of values ranging from 1,000 to 5 crowns, every one prefers the bank note as being more convenient and less cumbrous than gold.

(*e.*) As the Scandinavian Union have adopted a gold standard and there is no fixed ratio between the two metals, it fluctuates with the price of silver; but in 1873, on the adoption of the gold standard, the ratio of

silver was fixed at 15·8128—1. The ratio between the standard of gold and of silver, in 10-crown pieces for instance, is 1—14·88.

(*f.*) Each country exchanges its own silver for gold.

(*g.*) The coinage of silver is unlimited, each country of the convention having the right to coin as much "token" money as it can employ.

(*h.*) To the extent of 20 crowns in pieces of one and two crowns, and up to five crowns in smaller currency.

(*i.*) Yes, without restriction.

(*j.*) None that we know of.

N.B.—18 crowns taken as = 1*l.*

GERMANY.

(*a.*) The gold standard was created by the laws of 4th December 1871 and 9th July 1873, and the amount of gold coined to date is about 131,208,300*l.*

	£
Of this sum the Reichsbank has	30,750,000
Its holding of silver being about	12,500,000
The eight other Issue Banks	3,500,000
War fund at Spandau	6,000,000

(*b.*) The amount of silver coined is given as about 23,110,800*l.*, all in circulation.

(*c.*) The issue of bank notes is regulated by the law of 14th March 1875, and amounts at the Reichsbank to 53,790,000*l.*

Other Banks, 8,950,000*l.*

Imperial Government issue, 6,000,000*l.*

(*d.*) The circulation of gold can only be arrived at as follows:—

	£	£
The coinage has been		131,200,000
Holdings by the Banks	34,250,000	
At Spandau	6,000,000	
Taken for art purposes or sent abroad	22,500,000	
		62,750,000
		£68,450,000

so that we estimate the circulation in this country at between 65,000,000*l.* and 70,000,000*l.*

(*e.*) The ratio between gold and silver is 1—15½; *i.e.*, 90 marks are coined from 1 lb. pure silver, while 1,395 marks are struck from 1 lb. fine gold.

(*f.*) Silver is convertible into gold in amounts of at least 200 marks.

(*g.*) The coinage of silver is limited to 10 marks per head of population, and this amount is in circulation.

(*h.*) There is still in Germany the thaler of the old silver standard, which has not been demonetised and is still legal tender for payments. The circulation is estimated at 20,000,000*l.* to 22,500,000*l.*, of which 12,500,000*l.* is at the Bank of the Empire.

The new silver Reichsmark is legal tender only up to 20 marks.

(*i.*) The Government accepts payment in silver to any amount.

(*j.*) No inconvenience has resulted from the regulations for the circulation of silver.

N.B.—20 marks taken as = 1*l.*

HOLLAND.

(*a.*) The amount of gold in Holland and the Dutch Colonies is as follows:—

Holland.	£	Dutch East Indies.	£
With the Netherlands Bank	3,182,333	With the Bank of Java	449,000
In circulation	2,004,670		
The amount at the Banks is made up of—			
Dutch coin	1,967,916		372,500
Bars	13,454		
Foreign coin	1,200,962		74,833
(*b.*) The silver coined amounts to—			
With the Netherlands Bank	6,822,330	With the Bank of Java	2,773,080
In circulation	4,204,080	Circulation unknown.	
Foreign coin	Nil.		
(*c.*) The paper in circulation amounts to—			
Bank notes issued by the Netherlands Bank	15,760,400	Bank of Java	4,148,750
		Bank of Surinam	96,280
		Curaçao	12,375
		(not exchangeable for cash.)	

Notes issued by the Government 1,250,000*l.*, of which usually 25,000*l.* to 50,000*l.* are out of circulation in the hands of the Bank.

8 d/d drafts (average amount) issued by the—

	£		£
Netherlands Bank	83,330	Bank of Java	54,160

(*d.*) Answered by the preceding.

(*e.*) The ratio between gold and silver is 1—15⅝; the value of gold represented by the fl. 10 piece is 6·048 grammes "fine," and of the silver fl. 1 piece, 9·45 grammes, *i.e.*, a ratio of 1·15⅝.

(*f.*) No.

(*g.*) The coinage of silver for account of the public is entirely stopped. The Government only coins small money, and frequently re-melts pieces of fl. 2·50 and fl. 1 into smaller coins.

(*h.*) Silver is legal tender to any amount.

(*i.*) Yes

(*j.*) No; only, in view of the difficulties which might arise should the whole stock of gold be exported, the Government is, by a special law, empowered to demonetise 2,083,350*l.* in silver as soon as the stock of gold in the Netherlands Bank becomes reduced to 416,650*l.*

N.B.—12 gulden taken as = 1*l.*

SWITZERLAND.

(*a.*) The gold held by the Issue Banks amounts to about 2,680,000*l.*

(*b.*) The coined silver held by the Issue Banks is about 902,000*l.*

(*c.*) The amount in bank notes is about 6,800,000*l.*

(*d.*) The gold in circulation is almost nil.

(*e.*) The ratio is 1 to 15½.

(*f.*) to (*j.*) The same applies as for the other countries of the Latin Union.

N.B.—Fr. 25 taken as = 1*l.*

UNITED STATES.

(*a.*) The stock of gold is:—

	£
Coin in Treasury - -	33,227,050
Bullion „ - -	15,625,240
Held by National Banks, private banks, and individuals -	82,250,440

The latter amount is only an estimate. Accurate figures can only be procured for the holdings of the National banks, which, on 1st October 1892, amounted to 19,004,400*l.* in gold coin, exclusive of 14,200,000*l.* in gold certificates.

(*b.*) The amount of coined silver on 1st November 1892 was:—

	£
Standard silver dollars - -	83,282,570
Smaller money - - -	15,497,000
	£98,779,570

Of which the Treasury holds:—

	£
Standard silver dollars - -	70,948,080
Smaller money - - -	2,299,920
	£73,248,000

In circulation:—

	£
Standard silver dollars - -	12,334,490
Smaller money - - -	13,197,080
	£25,531,570

In addition to this, there is in the Treasury, silver bullion, 17,874,430*l.*

(*c.*) Paper currency on 1st November 1892 was as follows:—

——	Issued.	In the Treasury.	In Circulation.
	£	£	£
Gold certificates - - -	28,687,470	4,636,660	24,051,070
Silver „ - - - -	65,370,060	459,550	64,910,500
Treasury notes (Act, 14th July 1890) against silver purchases.	23,322,250	408,760	22,913,480
United States' notes, "Greenbacks"	69,336,200	2,920,160	66,416,050
Currency certificates, "Greenbacks"	2,222,000	112,000	2,110,000
National Bank notes - -	34,486,430	1,441,600	33,044,800
Totals - - -	223,424,410	9,978,730	213,445,900

(*d.*) There is practically very little gold in circulation, although, as stated in answer to question (*a*), there exists an estimated amount of 82,250,440*l.* with National and private banks and individvals, apart from the stock in the Treasury

(*e.*) The ratio is 1 to 15·9833, usually given as 1 to 16.

(*f.*) Directly, no; indirectly, yes.

It has, so far, been the established policy of the Treasury to redeem in gold, if desired, the United States notes, "Greenbacks," as well as the Treasury notes (Act of 1890), although it is optional with the Treasury to redeem those notes in silver. There being no distinction in trade between the various kinds of paper currency, it has, so far, not been difficult to exchange silver certificates and National Bank notes for either gold certificates, Treasury notes of 1890, or "Greenbacks," with which gold can be obtained from the Treasury.

(*g.*) The Act of 14th July 1890 (called the Sherman Law) provides for the purchase by the Treasury of 4½ million oz. silver per month, in payment of which the so-called "Treasury notes of 1890" are issued. This is the present limit for the increase of the currency based on silver.

(*h.*) Silver dollars are legal tender for any amount; the fractional silver coin only up to the amount of $10.

(*i.*) Silver certificates are receivable for customs, taxes, and all public dues, but are not legal tender for other purposes. However, as the underlying silver dollars are legal tender, the certificates have practically the same character.

(*j.*) No. The Treasury has been very careful not to create any doubt as to the continuance of its policy to maintain the parity between gold and silver, and it has readily paid in gold whenever a demand for it has been made.

N.B.—$5 taken as = 1*l.*

CANADA.

(*a.*) The stock of gold on 30th September 1892 was about 2,400,000*l.*

(*b.*) The circulation of Canadian silver coin is estimated at 800,000*l.*, besides which American silver coins are circulating to a considerable extent.

(*c.*) The aggregate amount of paper currency is:—

	£
Issued by the Chartered Banks	7,000,000
„ „ Treasury -	3,700,000

Of the latter sum about two-thirds is held by the Banks. The Chartered Banks are authorized by law to issue notes up to the amount of their paid-up capital, which aggregates 12,330,000*l.*

(*d.*) There is but little gold in circulation, all of it American coins.

(*e.*) The ratio is the same as in England.

(*f.*) Silver is not convertible into gold, either directly or indirectly.

(*g.*) The coinage of silver is limited to the amount deemed necessary by Government to supply the demand for fractional currency; the coinage since 1870 amounts to about 800,000*l.*

(*h.*) Silver is legal tender up to the amount of $10.

(*i.*) It is accepted by Government for taxes in moderate amounts, *i.e.*, the Government accepts it to a somewhat larger extent than the legal limit.

(*j.*) There is a considerable amount of American silver circulating in Canada at par, in spite of a Government proclamation (of 1870) declaring American silver coin legal tender to the extent of $10, but only at 80 cents per dollar.

N.B.—$5 taken as = 1*l.*

CURRENCY OF THE VARIOUS COUNTRIES.

RAPPORT DE L'OR-À L'ARGENT.

La recherche du rapport de l'or à l'argent dans les pays qui traitent les métaux précieux comme en France au titre parfait de $\frac{1000}{1000}$ est très simple. On n'a qu'à diviser le prix du kilog. d'or fin, soit 3,444·44 fr. fixe, par le prix du kilog. d'argent fin.

En Angleterre le calcul est plus compliqué, attendu que l'or se traite au titre de 0·916⅔ et l'argent à 0·925.

Rapport de l'or à l'argent, de 1856 à 1891:

1856	15·2
1857	15·1
1858	15·2
1859	15·1
1860	15·1
1861	15·4
1862	15·2
1863	15·5
1864	15·2
1865	15·5
1866	15·3
1867	15·5
1868	15·5
1869	15·4
1870	15·5
1871	15·4
1872	15·5
1873	15·8
1874	15·7
1875	16·5
1876	17·7
1877	17·1
1878	18·0
1879	18·2
1880	17·9
1881	18·0
1882	17·2
1883	18·5
1884	19·7
1885	19·3
1886	20·7
1887	21·0
1888	21·8
1889	22·1
1890	19·8
1891	20·9

Evaluation de l'Or et de l'Argent (Monnaies et Lingots) dans le Monde, à fin 1891.

	Or.	Argent.	Observations.
	En Millions Francs.	En Millions Francs.	
France	3,938	3,495	* Dans ce chiffre la Chine et les Indes Anglaises figurent respectivement pour 3,750 millions et 4 milliards de fcs. (ces estimations ne peuvent être qu'approximatives).
Italie	485	253	
Belgique	278	300	
Suisse	90	90	
Grande Bretagne	2,400	650	
Allemagne	3,120	1,105	
Autriche-Hongrie	136	500	
Russie	1,520	210	
Etats-Unis	3,490	2,782	
Hollande et Colonies	140	372	
Etats Scandinaves	138	53	
Canada	80	30	
Australie	550	40	
Cap de Bonne Espérance	170	15	
Egypte	665	80	
Turquie, Espagne, Grèce, Roumanie, Portugal, Japon, Perse, etc., etc.	1,500	9,970*	
	18,700	19,945	

Dans cette nomenclature, les pays à double étalon représentent 50 °/₀ du stock d'or et 40 °/₀ du stock d'argent. Les pays à étalon d'or 45 °/₀ du stock d'or et 15 °/₀ du stock d'argent. En fin, les pays à étalon d'argent 5 °/₀ du stock d'or et 45 °/₀ du stock d'argent.

Circulation Métallique et Billets sans Couverture des Pays suivants, au 31 Décembre 1891.
(En Millions de Francs.)

Nomenclature des Etats.	Or.		Argent.		Bronze.	Billets de Banque sans Couverture Métallique.*	Billets d'Etat.
	A la Banque et au Trésor.	Dans la Circulation.	A la Banque.	Dans la Circulation.			
France	1,338	2,600	1,255	2,240	65	572	—
Italie	485		253		75	621	226
Belgique	68	210	35	265	—	280	—
Suisse	90		90		—	60	—
Gréce	40		16		4	80	—
Allemagne	970	2,150	1,106		71	412·5	150
Hollande et Colonies	84	56·7	372		4	174	31·5
Union Scandinave	117·4	20	52·6		2·7	143	—
Etats Unis	3,489		2,782		93·6	894·4	1,284·4
Canada	80		30		—	150	70

(*continued.*)

Nomenclature des Etats.	Circulation par Tête d'Habitant.				Population.	Circulation Totale.
	Or.	Argent.	Bronze.	Billets non Couverts.		
	En Francs.	En Francs.	En Francs.	En Francs.		
France	103·60	92·	1·70	15·	38,000,000	8,0[illegible]0
Italie	16·20	8·40	2·50	28·20	30,000,000	1,660
Belgique	45·20	48·75	—	45·50	6,150,000	858
Suisse	29·	29·	—	19·35	3,100,000	240
Gréce	18·15	7·25	1·80	36·35	2,200,000	140
Allemagne	62·40	22·12	1·42	11·25	50,000,000	4,859·5
Hollande et Colonies	31·25	82·65	0·88	45·66	4,500,000	722·2
Union Scandinave	15·25	5·85	0·30	15·90	9,030,000	349·6
Etats Unis	54·50	43·45	1·46	34·04	64,000,000	8,543·6
Canada	15·70	5·90	—	43·13	5,100,000	330·

* La circulation des billets est donnée déduction faite des réserves métalliques qui en représentent une certaine partie, ceci pour éviter un double emploi.

Question F.—L'argent est-il convertible en or directement ou indirectement ?

En règle générale, tous les gouvernements sont tenus de recevoir et d'échanger contre de l'or les monnaies d'argent frappées et émises par eux.

Il va de soi, qu'en fait cette règle devient inapplicable, lorsque, comme en Espagne, en Portugal, et même en Italie, les monnaies d'or sont extrémement rares. Les caisses publiques doivent recevoir les pièces d'argent sans limitation de quantité. En Russie cependant les droits de douanes sont payables en or ou en coupons libellés payables en or.

Note.—En *France* la Banque de France a le droit de refuser de l'or contre des écus, et a le droit de payer ses billets en écus. Dans la pratique il n'y a

pas d'inconvénient pour la circulation intérieure, l'or étant suffisamment abondant dans le public, et les règlements se faisant au moyen des billets de banque qu'on préfère aux espèces.

En *Espagne*, en *Italie*, en *Grèce*, et même en *Suisse*, l'échange des billets et des monnaies d'argent contre des monnaies d'or est devenu impossible par suite de la rareté de ce métal.

Comme nous l'avons dit d'autre part, les écus de 5 francs ont force libératoire en France, mais dans la pratique on s'en sert peu ou pas pour des paiements de quelque importance, le public les trouvant trop lourds et trop encombrants.

En Belgique, l'or est relativement plus abondant que dans les autres pays de l'Union, la France exceptée. On peut donc se procurer de ce métal sans de trop grandes difficultés. Mais le moyen circulant par excellence, c'est le billet de banque. C'est en Belgique que les billets sans couverture métallique sont proportionnellement le plus abondants (45 · 50 fr. par tête d'habitant) contre 36 · 35 fr., 28 · 20 fr., 19 · 35 fr., et 15 fr., pour les autres pays de l'Union Latine.

Question G.—Comment la frappe de l'argent est-elle limitée ?

Pour l'Union Latine, la frappe de la pièce d'argent de 5 fr. est suspendue. Pour les pièces d'argent de 2 fr., 1 fr., 0 · 50 c., et 0 · 20 c., chaque Etat de l'Union ne peut en émettre que pour une valeur correspondant à 6 fr. par habitant. Pour l'Allemagne, la quantité totale des monnaies d'argent ne peut dépasser 10 marcs par habitant. En Hollande la fabrication des monnaies courantes d'argent est suspendue.

Aux Etats Unis, une loi du 14 Juillet 1890 autorise le secrétaire du Trésor à acheter chaque mois des lingots d'argent jusqu'à concurrence de 4,500,000 onces (5,250,000$) environ, pour les transformer en monnaies d'argent.

Pour l'Angleterre, l'Union Scandinave, and le Canada, nous n'avons pu trouver aucune limite à la frappe des monnaies d'argent, qui est faite dans ces divers pays pour le compte du Gouvernement.

Question H.—L'argent est-il admis légalement dans les paiements, et jusqu'à quel montant ?

Pour l'Union Latine, la pièce d'argent de 5 fr. a force libératoire pour n'importe quelle somme dans chacun des pays où elle a été émise.

Les piéces de 5 fr. des pays de l'Union Latine doivent être acceptées des caisses publiques de chacun des pays de l'Union. L'acceptation est facultative pour les particuliers en France et en Belgique ; obligatoire en Italie, en Suisse, et en Grèce. En France le public est tenu d'accepter les pièces françaises divisionnaires d'argent jusqu'à concurrence de 50 fr. pour chaque paiement.

L'acceptation des pièces d'argent divisionnaires de l'Union Latine est facultative pour les particuliers en France et en Belgique, mais obligatoire pour les caisses publiques de ces mêmes états jusqu'à concurrence de 100 fr. Ces pièces ont cours légal en Italie, en Suisse, et en Grèce.

Dans les pays de l'Union Scandinave, on est tenu d'accepter en payement dans le commerce, jusqu'à 20 couronnes en pièces divisionnaires d'argent de 1 et 2 couronnes, et jusqu'à 5 couronnes seulement en petite monnaie d'argent.

En Allemagne, on doit accepter les monnaies divisionnaires d'argent jusqu'à concurrence de 20 marcs.

En Hollande, les monnaies courantes d'argent dont la frappe est suspendue ($2\frac{1}{2}$, 1, et $\frac{1}{2}$ florins) ont, comme l'or, plein pouvoir libératoire. Les monnaies d'appoint en argent de 0 · 25 et au dessous n'ont force libératoire que jusqu'à 10 florins. Le système monétaire de la métropole s'applique aux colonies néerlandaises.

Au Canada, les monnaies d'argent ne sont légalement admises dans un paiement que jusqu'à concurrence de 10 dollars.

Aux Etats-Unis d'Amérique, le dollar d'argent frappé en vertu de la loi du 28 Février 1878 est étalon légal, et a force libératoire pour n'importe quelle somme.

Les pièces d'argent moindres que le dollar ne peuvent excéder la somme de 10 dollars dans un paiement.

Question I.—L'argent est il accepté par les Gouvernements en paiement des taxes ?

Nous avons répondu à cette question par la réponse faite à la Question F.

Question J.—A la suite des conventions qui régissent l'Union Latine, est-il survenu des inconvénients et des difficultiés, et quels sont-ils ?

L'Union Latine a été fondée le 23 Décembre 1865, par la France, l'Italie, la Belgique, et la Suisse, sur la base du double étalon avec frappe libre des deux métaux. A cette epoque et jusqu'en 1873 aucun inconvénient sérieux ne surgit ; mais dans le cours de cette dernière année, l'argent, qui jusqu'alors avait conservé son rapport de 15 · 4 à 1, baisse sensiblement sur le marché de Londres. Tout le monde veut mettre à profit cette dépréciation du métal blanc, et frappe le plus de pièces possibles. Les monnaies de Paris et du Bruxelles ne peuvent suffire aux demandes. La première livre 154, la seconde 111 millions de francs à la circulation, l'Italie en frappe de son côté pour 42 millions. L'année suivante se caractérise par l'adoption du système des contingents. On veut limiter ces émissions énormes, et l'on fixe le chiffre total à frapper à 132 millions—60 millions à la France, 60 millions à l'Italie, et 12 millions à la Belgique. Le métal blanc continue à baisser. Pour l'année 1875 le contingent est fixé à 145 millions—75 millions pour la France, 50 millions pour l'Italie, 15 millions pour la Belgique, 5 millions pour la Grèce. Le prix de l'argent descend toujours.

En 1876, on restreint la frappe, le contingent n'est plus que de 112 · 8 millions—54 millions pour la France, 36 millions pour l'Italie, 10 · 8 millions pour la Belgique, et 12 millions pour la Grèce. Le marché de l'argent est de plus en plus mauvais ; on descend jusqu'à $46\frac{3}{4}d.$ a Londres, soit une marge de 23% à la frappe.

En 1877, décroissance du contingent qui se trouve réduit à 52 · 2 millions, mais seules la France et l'Italie en frappent pour 35 millions.

Pour 1878 et 1879, il n'y a que l'Italie qui, ayant reçu l'autorisation à titre exceptionnel, fait fabriquer pour 9 et 20 millions de pièces de 5 lire. Pendant cette dernière période, la Suisse n'a frappé que pour 8 millions de francs en pièces de 5 francs.

En 1878, la Conférence Monétaire se réunit, et proroge la convention jusqu'au 1 Janvier 1886, sans y apporter d'autre modification que la suspension complète de la frappe des pièces de 5 francs. A cette conférence la question de la liquidation, c'est-à-dire du retour des pièces dans le pays d'origine, fut à peine effleurée.

A la Conférence de 1885, les representants du Gouvernement Français demandèrent catégoriquement comme condition sine quâ non, que la clause de la liquidation fût insérée dans le nouvel arrangement. A la suite de discussions nombreuses, la Belgique refusa d'abord de souscrire à la nouvelle convention, puis accepta un arrangement spécial qui devint la base d'une nouvelle convention. La clause de liquidation y fut insérée, mais, au lieu d'un règlement bien net, on ne spécifia qu'une conception assez confuse qui sera d'une exécution bien difficile, lors de la dissolution de l'Union.

Si, jusqu'à ce jour, aucune difficulté sérieuse ne s'est manifestée ; il peut ne pas en être de même par la suite. On doit se demander en effet comment s'y prendra l'Italie, dont nous possédons plus de 300,000,000 d'argent, pour nous rembourser pareille somme en or. De même la Belgique, dont la monnaie d'argent s'élève chez nous à 250 millions de francs. D'aprés les termes de la Convention, relatifs à la clause de liquidation, les pays contractants ne sont tenus au remboursement en or de leurs pièces de 5 fr. d'argent que jusqu'à concurrence de la moitié du solde débiteur. L'autre moitié doit être repatriée par la voie du commerce et des changes.

En présence de la dépréciation continue du metal blanc, et dans le cas où la convention monétaire continuerait a être prorogée d'année en année, nous pensons qu'une révision de la clause de liquidation s'impose d'une façon impérieuse.

INFORMATION from VARIOUS SOURCES.

AUSTRIA-HUNGARY.

(Extracts from the Reports of the Deputy Master of the Mint.)

Value of Coinage of Gold and Silver at the Austrian and Hungarian Mints.

Years.	Gold.				Total.	Silver.				Total.
	4 Ducats (19·20 Florins).	Ducats (4·8 Florins).	8 Florin (8·10 Florins or 20 Francs).	4 Florin (4·05 Florins or 10 Francs).		Trade Dollar (Maria Theresa 2·10483 Florin).	2 Florin.	Florins.	Subsidiary Coinage 10 Kreutzers.	
	f.	*f.*	*f.*	*f.*	*f.*	*f.*	*f.*	*f.*	*f.*	*f.*
1880		Particulars not given.			5,102,397		Particulars not given.			17,311,482
1881	666,451·20	2,288,985·60	1,999,397·60	81,433·35	5,036,267·75	337,743·12	182,074	21,622,494	69,862	22,212,173·12
1882	552,422·40	1,871,563·20	3,392,466·30	54,067·50	5,870,519·40	172,591·88	241,542	7,373,446	—	7,787,579·88
1883	705,389·80	1,961,467·20	2,683,668·30	63,119·25	5,413,043·55	648,990·76	139,158	13,076,730	—	13,864,878·76
1884	672,672	1,142,587·20	3,039,128·10	247,256·55	5,101,643·85	3,110,648·89	164,062	6,024,850	1,038,004	10,337,564·89
1885	536,486·40	1,235,644·80	3,606,492·60	413,820·90	5,792,444·70	2,919,170·27	156,202	5,063,624	466,106·20	8,605,102·47
1886	351,782·40	1,395,384	3,663,370·80	158,217·30	5,568,754·50	634,856·84	185,976	8,275,501	—	9,096,333·84
1887	517,382·40	1,070,664	3,793,545·90	157,310·10	5,538,902·40	3,175,928·11	234,998	7,714,296	402,568·90	11,527,791·01
1888	685,670·40	1,482,571·20	3,318,294·60	213,947·35	5,700,483·55	2,340,150·46	146,900	8,413,405	543,924·80	11,444,380·26
1889	598,771·20	1,606,982·40	4,529,430·90	100,889·55	6,836,074·05	1,522,002·88	293,886	7,026,934	551,906	9,394,728·88
1890	907,948·80	1,794,528	3,016,213·20	129,340·80	5,848,030·80	985,165·88	207,360	6,185,678	624,116 20	8,002,320·08
1891	1,033,843·20	1,558,003·20	3,220,373·70	174,421·35	5,986,641·45	349,822·74	234,702	5,763,813	665,137·40	7,013,475·14

1879.

During the latter part of 1878, and the first quarter of 1879, the imports of silver into Austria-Hungary were very large, and, as the low price of the metal made it a profitable transaction to send it to the Austrian and Hungarian mints for coinage, private persons availed themselves to a very large extent of the facilities offered for the conversion of bullion into coin. In March 1879, the Government found it necessary to prohibit further coinage on private account, and from that date to the end of the year coinage for the State only was executed. By the 31st of December last the silver coinage of the Vienna Mint alone had reached 4,800,000*l.*, and, as between August 1878 and November 1879, 2,000,000*l.* in old silver coin had returned to the country, the silver circulation had increased by nearly 7,000,000*l.*

1880.

The coinage at the mints of Vienna and Kremnitz during the year has not been large. The value of the gold coinage at both mints was 5,102,397 florins, and the number of pieces struck 746,750, of which by far the greater proportion consisted of ducats (of the value of 4·8 florins) and 8-florin pieces. The value of the silver coinage was 17,311,482 florins, and the number of pieces struck 27,052,424. Of these, 15,836,000 were subsidiary pieces of the value of 10 kreutzers, and the remainder consisted of 10,319,242 florins and a few 2-florin pieces, and dollars for the Eastern trade bearing the effigy of the Empress Maria Theresa and the date 1780.

1884.

The 10-kreutzer pieces struck at Vienna were not a new coinage, 20-kreutzer pieces, of the same nominal value, having been withdrawn from circulation as being in excess of the requirements of the public. The total amount of divisional coinage authorised by law therefore remains unaltered.

1887.

The 10-kreutzer pieces, as in 1885 and former years, were struck from 20 and 10-kreutzer pieces withdrawn from circulation.

1888.

No coinage of subsidiary silver was executed at either mint, except a re-coinage of 10-kreutzer pieces from coins withdrawn from circulation.

1889.

The 10-kreutzer pieces coined at Vienna were, as in former years, struck from subsidiary silver coin which had been withdrawn from circulation as no longer current.

1890.

There was no addition during the year to the subsidary silver currency, the 10-kreutzer pieces struck at Vienna having been re-coined from from worn 20 and 10-kreutzer pieces withdrawn from circulation.

1891.

Since the beginning of the current year Commissions have been nominated by the Austro-Hungarian Governments to inquire into the monetary system of the Empire, and the following questions have been submitted to them:—

1. What monetary standard should be adopted?
2. If the gold standard is adopted, could a certain amount of silver be admitted into the circulation as current money, and, if so, what should be the proportion of it?
3. Under what conditions might State notes, not bearing interest, be issued, which should not be a forced currency and should be always exchangeable for specie?
4. What relation should be established between gold and the present florin?
5. What monetary unit should be adopted?

Both Commissions have reported in favour of a single gold standard, and it is believed that bills authorising all the arrangements necessary for a complete reform of the currency will be passed by the Austrian and Hungarian Legislatures before the end af the present month (May 1892).

During the year 1891 steps were taken by the Governments of Germany and Austria-Hungary to settle the conditions under which Austrian vereinsthalers should be withdrawn from circulation. These coins wers originally issued in 1858, in pursuance of a Convention between Austria and the States of the German Zollverein, which decided that, in order to facilitate commercial transactions between the States, thalers and double-thalers should be issued having currency throughout the countries of the Union. The coinage was executed at the Austrian mints of Vienna, Milan, Venice, Kremnitz, and Karlsburg, and was continued for 10 years to the 13th June 1867, when

Austria left the German Monetary Union. During this period a sum of 31.060,321 thalers was struck in single thalers, and 55,528 thalers in double thalers, or a total of 31,115,849 thalers. As it was probable that these coins would, before long, cease to form part of the Austro-Hungarian currency, and the greater part of them circulated in Germany, a Bill was presented to the German Legislature in November last, which has since become law, providing for their withdrawal at the expense of the Empire, and at the established rate of exchange for thalers, namely, three marks per thaler. It was believed that, after making allowance for the amounts which have been lost and melted, and have otherwise disappeared from circulation, the sum to be withdrawn would be equivalent to about 75,000,000 marks. In February last a Bill was laid before the Austrian Chamber of Deputies, authorising the demonetisation of the vereinsthaler, and by an agreement between the German and Austro-Hungarian Governments it was decided that the latter should receive back 8⅔ millions of these coins, in three equal instalments, on the 1st April 1892, 1893, and 1894. This sum may be taken to represent about one-third of the total amount in circulation.

TRANSLATION of the SPEECH of the AUSTRIAN FINANCE MINISTER, DR. STEINBACH, in the HOUSE OF DELEGATES (LOWER HOUSE), 129TH SITTING of the XI. SESSION, 14th May 1892.

Official Shorthand Reports, pp. 5923-5931.

Honourable House,

Empowered by sovereign authority, I have the honour to submit, for the constitutional treatment of your Honourable House, some legislative proposals for the better regulation of our currency, and for the conversion of certain categories of the National Debt. (*See* Appendix 436.)

Most honourable gentlemen, I am sensible of a certain amount of difficulty in my task of thus placing before you, in the comparatively short time at my disposal, proposals for measures whose great importance cannot be denied, and the consideration of which involves an unusual amount of difficulty.

That our currency does stand in need of reform is a fact, most honourable gentlemen, which is recognised on all sides, and it is a very strange thing that, so long as this reform does not draw nearer towards realization, there is always great enthusiasm shown for it. The moment, however, that the matter takes any tangible form, doubts begin to find expression, and it might almost be said that the thought then arises that it would, after all, perhaps be better if the question were not approached at all.

This is followed by all kinds of discussions in every conceivable quarter, of which it is not always possible absolutely to maintain that they quite rise to the height of the difficulties of the question involved, or that that amount of understanding of the facts is always exhibited which is so urgently required in dealing with such intricate questions.

If I may be allowed to say so, a large part of our nation is inspired with that phase of thought which I would characterise in a word as "monetary fatalism."

It is realized that the existing state of things is not a good one, and yet there is the feeling that it is very difficult to apply the amending touch, and that, after all, it is perhaps better to let those things continue as they are; and, indeed, Honourable House, it is not altogether surprising that it should be so, since, if you will call to mind the recent course of events in our monetary affairs, you will recollect that suddenly, without anyone having done anything which could account for it, the premium on our silver coinage disappeared; that equally suddenly and without anyone, that is to say, without the Government having issued them, a quantity of silver guldens made their way into circulation amongst the public; and that thereupon certain steps were taken by the Government, but not by way of legislation, these steps being more or less of a provisional character.

Most Honorable House, what guarantee have we that everything will not change again to-morrow, and that we shall not find ourselves, owing to some unexpected events, in the midst of quite a different condition of affairs? I do not believe, most Honourable House, that it is possible for anyone to give such a guarantee. Just as are all other States in the world, so also we are bound carefully to examine the conditions of our currency, to consider it in detail, and elucidate what it is that we believe must be done in this regard in the interest of all concerned, and, most honorable gentlemen, it is from a sense of this obligation that have sprung the proposals now before you.

We must arrive at a firm resolve to remove every disadvantage under which our currency is now suffering, and we must occupy ourselves in all earnest with the matter.

Here I will at once premise, most honourable gentlemen, that this will entail some sacrifices, for I must quite openly acknowledge to you that the measures which I beg to submit cannot be carried out successfully without our at the same time procuring a stock of gold, and that, gentlemen, costs money.

It is, therefore, conceivable and quite comprehensible, that the consideration of these problems has hitherto been avoided so long as the first and all-important care was to do away with the deficit in the normal budget.

So soon, however, as the financial position of a State has improved, so soon as the latter has succeeded in getting rid of any deficit in its normal budget, then, it seems to me, that State is bound, not only by general considerations, but having regard to the weal or woe of its subjects, to devote its attention to these currency problems and to endeavour to solve them. It is in view of this fact, namely, that the removal of the deficit must inevitably precede the actual taking in hand of the questions now before us, that I feel it my duty, before going further into the consideration of these matters, to pay a tribute of gratitude to those, namely, my respected predecesser in office (cheers from the right), who attained that goal.

In now passing, most Honourable House, to the actual questions at issue, it is quite impossible for me, within the time at my disposal, to deal at once with the whole of the points involved. I must reserve for a future occasion the consideration of the individual details of the measures proposed. There will be plenty of opportunities for that. The matter is also a much simpler one from the legislative point of view than was, for instance, that of the reform of taxation, in introducing which it was necessary for me to place systematically before you, most honourable gentleman, the several provisions contained in the Bills. That is not necessary in the present case. If you will be good enough to read through the Bills now before you, you will see that the measures which are proposed to-day are not difficult to understand, either from the legislative point of view or from that of political economy. It is quite clear what it is desired to attain by them. The difficulties in the matter lie in its large range and in its consequences.

What is it that it is desired to attain? Most honourable gentlemen, allow me to tell you in a few words. The attempt is to be made to get rid of the aleatory element from the Austrian monetary legislation. That, in fact, describes in a word what our task is. The currency is to be rendered stable. This is the expression which I have already employed when, on a previous occasion, I had the honour, shortly after taking office, to speak on the currency question in the Budget Committee.

To-day I can only repeat the same statement.

As regards the disadvantages which now result from this aleatory element in the currency I do not propose to say more, to do so would be a work of supererogation. You all know well, gentlemen, what these disadvantages are. I would, however, draw your attention to one thing, which is to the objective observer a remarkable symptom; this aleatory element in the currency has penetrated so deeply and so universally amongst the community that people speak of the rise and fall in the value of money as of something quite natural; that, gentlemen, speculations are founded upon it, and that people are accustomed to justify legislation which has for its object to bring about a rise or fall in the value of money. It is very singular that this conception of the matter should be so widespread amongst us. And yet, Honourable House, the idea of money is, after all, one of a standard of measure; surely, if it is to properly fulfil its functions, money must not be liable to become cheaper or dearer, it must remain constant in value. Take another standard of measure, let us say a metre. No one dreams of speculating on the probability of the metre being longer or shorter, it would be absurd to do so. In the case of money, however, such is with us the normal state of affairs. Surely, gentlemen, such a condition of things positively cries out for a remedy.

No doubt I shall be told, "your ideal is quite correct, " but its attainment is not altogether an easy matter, " indeed it may, perhaps, even be said to be an im- " possibility, and the metals themselves which are " employed as standards of value are liable to the very " greatest fluctuations." That is, unfortunately, quite true, and, if you place that fact in the front rank, you will recognise at once that therein lies the chief difficulty in the regulation of the currency.

And so, gentlemen, let us say, point-blank, we are also involved in the difficulties which result from the enormous fluctuations in the relative value of the two metals. We often suffer from the consequence of the constant variations in the price of silver, which price, as you know, is now expressed in terms of gold. I will not, gentlemen, in this regard, attempt any discussion of the well-known bimetallic controversy, nor do I believe that that controversy—with which, in all its details, the leading political economists in the world have, as you know, been occupied for many years, and which has, nevertheless, never yet been decided—need be decided here. For our purposes I believe it is not necessary that it should be so.

But we have a task before us, and that consists, in the first instance, in releasing our currency from the effects of those fluctuations in the price of silver which are to-day agitating the whole world of political economists.

I venture in this regard, most honourable gentlemen, to draw your attention to the fact that experienced bimetallists concur in the view that it is in our case especially necessary that something should be done in that direction, that things cannot be allowed to go on the course they are now pursuing. I may cite from the proceedings of the Currency Inquiry Commission the very significant statement of Professor V. Milewski, who, although a bimetallist by conviction, yet cannot refrain from emphasizing his opinion that we cannot stand and look at things as they are, and who, I believe, rightly maintains that in doing so he is in no way giving way from his bimetallic convictions.

Now, honourable gentlemen, what are the proposals which the Government lays before you? As a matter of fact they are expressed in the title of the first Bill, "A Bill to establish the 'Kronen' coinage."

It is a new coinage which it is proposed to establish, to be for the future the currency of Austria-Hungary. Nothing more is in the first instance proposed than the creation of this new coinage; the compulsory general circulation of this currency, and all the details which are connected with it in respect of the further development of the matter up to the resumption of cash payments, are reserved for subsequent legislative measures.

These legislative measures will and must follow as the matter develops itself; it is not possible to enter upon such a path as this with the intention of stopping half way (hear, hear! from the left). Such is the position in which we now stand.

On the other hand, it is necessary to take great care that no steps be taken without mature consideration, and that not a single step be taken unless firm ground has been found for the preceding one.

With these observations I have also touched upon the principal point of that opposition which is brought against the Bills now before you.

Many people say that no new currency ought at the present moment to be established. Honourable House, I will next deal with this objection.

It is strange that this opinion, namely, that for the present nothing should be done (I mean the conscious opinion that nothing should be done, for I shall refer later on to the fact that a number of voices have made themselves heard which, although agreeing with the course that it is proposed to follow in the matter, would recommend a different sequence of the several stages, of which views, however, I propose to speak later, since for the moment I would only consider that view which says deliberately that no new currency should be established in Austria), it is strange, I say, that this view is supported by two distinct currents of opinion, which, if it came to their having to make practical propositions, could not for a moment run together, since these two currents tend towards things which are diametrically opposed to each other.

The facts are as follows:—

If I may be allowed to go somewhat more into detail about the matter, there are, in the first place, phases of opinion which hold that that which took place in the year 1879, namely, the *de facto* suspension of the coinage of white metal for private account, should now be put an end to, in order that our paper currency may fall as rapidly as possible to the silver standard as now ruling. This is, if I may so put it, briefly the standpoint purely of the debtor interest. The premium would in such a case at once rise to 50 per cent., that is about the standpoint of to-day, and debtors would thus be placed in a position to pay off their liabilities in a currency of much less value than had previously been the case. This view, I think, is, from a party point of view, a comprehensible one; but, if carried into practice, it would, I believe, lead to such a revolution in prices as has never before been seen, and it is at the present moment quite impossible to form an idea as to what would be the ultimate consequences of it.

I believe, in fact, that such a course is under any circumstances quite out of the question.

In addition to this, in the event of a change in the price of silver, an eventuality which, indeed, might easily occur in view of the conditions in America, the parties in question would not be able to propose any remedy; they would then be obliged, in a word, to submit patiently to consequences exactly opposite to those which they had desired to induce, and could only at the utmost, perhaps, demand, as has already been the case, that a new issue of uncovered paper should take place. Now, gentlemen, I need hardly, I think, argue further in this place the impossibility of such a course in the normal condition of a State, since probably the large majority of the honourable gentlemen present will agree that it is an impossibility.

The other phase of opinion which opposes a change in the currency starts from quite different points of view. This phase hopes for a rise in the value of our money, and that this rise will take place in such a manner that the present conditions may not only be absolutely maintained but even be intensified as much as possible.

Just as the phase of thought previously described represents the debtor interest, so, in a certain sense, the latter phase may be said to represent essentially the creditor interest. This phase waits for the rehabilitation of silver, and holds the view that, supposing silver to be thus rehabilitated, the old ratio between gold and silver, namely, 15½ to 1, would then re-establish itself. Possibly that rehabilitation of silver will be a long time coming, and naturally it would be necessary to take measures for the interim; these would consist, in the first place, in absolutely suspending by law the coinage of silver which has hitherto only been suspended *de facto* and for private account.

In this regard I would only venture to observe *en passant* that the mintages of silver for Government account, which have hitherto taken place on a comparatively small scale, were to a great extent necessitated by the need for circulating medium.

On the other hand, we are told, and this is a point upon which stress is frequently laid by those who represent this view, that steps must be taken in order that the value of our money may rise, namely, by limiting the amount in circulation by means, for instance, of an increase in the rents of the salines, so as to reduce the amount of money in circulation, and that an endeavour must be made to attain by this means the object above mentioned. If the price of silver rises in the meantime, it will confirm this ratio. If not, we will, according to the view of this party, retain the present limited paper currency.

Now, gentlemen, I think I am right in saying that the interests of these two lines of thought are opposed in direct contradiction to each other. And yet strangely enough, but still truly, the two parties holding these different opinions have made common cause, and that on the ground of their being both opposed to the introduction of a new currency. It is obvious that these two parties would necessarily come into most bitter conflict the moment that it became a question of putting into practice the views of one of them; but, so long as they are merely both opposed to the positive proposition of a new currency, their position as allies can be maintained.

Now, should I be asked to define my standpoint as compared with these two parties, it is simply this: I want neither that our money value should rise, nor that it should fall, I want to try and make it stable, I want to try and cause it to really fulfil the idea of a measure, and to establish it as a standard, in order that neither the creditor nor the debtor, in fact, that no one, may be a loser. What can be done in this regard? In the first place, we may combat the fluctuations in value with such means as are at our disposal, namely, we can render, and indeed that is what will have to be done, if the views which I venture to put before you are cor-

rect, we can render our currency independent of the "fluctuations" of silver, that is to say, of the variations in the price of silver. For the present, limits are to be set in two directions; on the one hand, all further coinage of silver guldens is to be effectively restricted, and, if necessary, discontinued by law, in order that the present *de facto* condition may, as concerns the State also, be established by legislative means; on the other hand, the future appreciation of our currency is to be checked by fixing the so-called relative value or ratio, in other words, by placing the currency of the future on a gold basis, and making gold, which is the standard of value of the present day, to be also the measure of value in our currency.

By doing so, we are not in any sense deciding the future destinies of the two metals; that is a question which it must indeed be left to the future to decide. It seems to me, however, that it is necessary for us, from our standpoint, to thus alter the standard of our currency, because gold has nowadays become the most permanent in value of the metals, and the one according to which prices are now regulated. As soon as these two measures, in the first place, are realised and taken in hand, they must be supplemented by the procuring of gold, in order to provide the necessary substratum for rendering the money value permanently stable by the resumption, in due course, of cash payments.

I must now, however, elucidate a little further in one direction what I have been telling you. I must, namely, speak of the so-called ratio, since this ratio was notoriously the chief object of the transactions of the commission of inquiry, and is also usually placed in other respects in the very foremost rank.

Well, in what does this ratio consist? This ratio shows itself on the surface a very simple matter, it is specified in two sentences of the first Bill: the first sentence which refers to this ratio occurs in Clause III., where it is stated, "one kilogram of coinage gold will "make 2,952 kronen, so that one kilogram of fine gold "will make 3,280 kronen." The other sentence referring to it occurs in Clause XXIV., the second paragraph therein being: "All payments payable by law in "Austrian currency, whether in specie or not, may, "after the coming into force of this Act, be made at "the pleasure of the debtor in the national gold currency of the 'kronen' coinage, in such a way that "the twenty-kronen piece is calculated as equivalent "to 10 guldens, Austrian currency, and the ten-kronen "piece to 5 guldens, Austrian currency."

Most honourable gentlemen, that is the so-called ratio. By this means it is attained that any payment which was specified to be made in Austrain currency, may be made instead with a certain quantity of gold, and it is also attained that the unit of value for our future currency is this quantity of gold which is here defined.

I think, gentlemen, that in these words I have pretty accurately described the matter at issue.

I shall now deal with those opinions which, although in accord as regards the principle involved, and with what I have ventured to say, would recommend a different course as regards the order of sequence of the several stages. This view can be put in a few words. The gentlemen in question ask, namely, "Is it neces- "sary that the ratio should be fixed now? Would it "not be possible to defer fixing this ratio until the "purchase of the necessary gold has been carried "out?"

Well, gentlemen, I have something to say about that. This view also may have two sides to it. An opinion has been expressed from a very gifted quarter, namely, by a foreign writer, that we ought to establish an alternative currency, but without fixing the relation of this new alternative currency to the existing one, so that during the transition period these currencies should have no connection at all, the relation of the one to the other remaining a fortuitous one. The gentleman in question, a very clever man, even undertook a long journey in order to place his view before me orally as well as in writing.

I must say, however, there is one point in the matter which I cannot get over, and that is, that it should be left entirely to chance how this relative value of the two currencies will in future stand.

The gentleman in question was of opinion that the new currency would be certain to drive out the old one in the course of business transactions, so that the old currency would die out. This is, however, more likely to be the case with the foreign than with the internal traffic; but, as to what would occur in the internal traffic, the gentleman had no clear views, and, as he owned himself, the eventual transition was the weak point of his whole argument.

It is this which renders the proposal an impracticable one, because it would not do at all for us simply to trust to chance. For that we should not even require any new currency. If we wanted to do that, we could do it as it is.

Every person in Austria has the right to contract in franc currency or in marc currency, and there are plenty of cases where these currencies are thus employed. If the majority of the public so employed them, the result just referred to would be realised, but it would be no remedy for our condition.

But now there are also a number of other gentlemen —a much larger number—who say: "We ought not at "present to establish any currency, we should keep to "the old currency and limit ourselves to procuring "gold, in order that in course of time the relation may "become fixed according to whatever may prove to be "the ratio of gold to silver."

If, gentlemen, this view of the matter be carefully considered, the following practical conclusion is reached. As a matter of fact, the partisans of this view do not, in the first instance, wish to do anything more than what is wanted by those who oppose the introduction of a new currency, that is to say, those who oppose it on deliberate grounds, they are merely prompted by other intentions.

Such a conclusion must, of course, have due weight, but I would observe that in effect the result would be just that which is aimed at by the conscious adherents of our existing currency, that is to say, we should in the future, as in the past, be entirely dependent on chance.

But there is something beyond this, gentlemen, and it is that which makes this view appear to me to be in a certain sense even more hazardous; gold is to be purchased, and, if the ratio be not fixed, these purchases would involve the State in a monetary speculation on the largest and most extensive scale, and one which—and this is the main point—is expected to tend in a particular direction. The majority of the gentlemen who hold this view expect a rise in the value of our money, which would, of course, make this speculation a very losing one for the State, since then that gold which had in the meantime been procured, would, on the resumption of cash payments, be worth much less than the price at which it was purchased; and, gentlemen, it is the Finance Minister whom you would charge with the carrying out of this monetary speculation, which is destined to be a losing one, and he would then eventually have to come down to this House, and confess that "the payment of cash will "now be resumed, but, of that money which we had "accumulated, we have lost so many millions."

Most honourable gentlemen, that would be for that Minister of Finance a task which he would perhaps not fulfil, and, if I may venture to add that he could after all to a certain extent influence the ultimate result of such a speculation, then I think it would be asking perhaps too much from a man who is charged with the interests of a State, to expect him to consciously allow a great monetary speculation to result to the disadvantage of that State.

I very much fear, gentlemen, that by such means we should arrive at the very opposite result to that which we desire to attain.

If I may therefore venture to sum up what it is that must be done, I can come to no other conclusion than the following: If the course which is proposed is to be followed, we must fix the ratio, and fix it at once.

And now I would go on to ask: How was the ratio arrived at? It will perhaps surprise you that I shall say very little about this point. The question seems, as it stands, to be not a very difficult one to answer. As a matter of fact, I regard it from a somewhat different point of view. I ask to be excused if—perhaps owing to my professional training—I regard the matter rather with the eye of a lawyer, so that in considering it I have always kept in mind the relations of debtor and creditor.

I beg you, gentlemen, to reflect for a moment.

In the year 1879 we freed the fortunes of our currency as far as we could from following the fate of silver; it is true that this was only done by administrative measures, but still these have been maintained ever since that time. We have not succeeded in freeing it completely, the experience of the year 1890 teaches us that. But we have done something which has rendered that currency independent.

We now propose to fix definitely the value of that currency. But, gentlemen, what means have I for

fixing the value of that currency? From one very influential quarter I am told: "Fix it according to the "daily rate of exchange." I will leave undecided the question as to which day's rate of exchange. Very different opinions were given about this at the inquiry. For, gentlemen, I cannot deny that the rate of exchange is very much a matter of chance, and, if you imagine that the daily rate of exchange is fixed merely and exclusively according to supply and demand, then you are in error (hear, hear).

On this point I would at once make one observation in order to define my views in this respect. The requirements of Governments in regard to specie, in regard to gold, for the payment of coupons and for many other purposes, form factors in those conditions of supply and demand, and this fact exerts an important influence on the rate of exchange. But the daily rate of exchange is still essentially a matter of chance.

I do not believe that it is possible to found large operations on it, and for this reason nearly all those gentlemen who have cited the daily rate of exchange, have spoken of rounding it off, some upwards and some downwards.

Now, when I approached the matter from the point of view of a mere jurist, one thing was clear to me, namely, that, if the matter were to be solved purely legally, it would be necessary to individualise. It would be necessary to deal separately with each individual claim or liability, and to fix the ratio for each claim either according to the date of its origin or according to the date on which it becomes due. I may remark that it would be a nice point of law, for which of these alternatives the decision should be given. But, gentlemen, fortunately for us we are spared the settlement of this question. For, in practice, neither the one nor the other is feasible, and chiefly because the present day conditions of such liabilities or claims have taken quite a different form from that which they presented many years ago, when it would have been possible to carry out such an arrangement. To-day, when the liabilities chiefly take the form of bonds to bearer or inscribed bonds, in the case of which the same institutions which present them owe as much as they have to claim, and on which the organisation of credit is founded, the matter is altogether impracticable. I would ask you, gentlemen, to consider the case of a bond-issuing (? mortgage) institution or a savings' bank, if the claims on them were to be regulated according to another ratio than the debts to them. Such a measure would mean bankruptcy for these institutions.

That method was therefore simply an impossibility. It was accordingly necessary to adopt the system of one rate of exchange, one ratio, for all cases the same ratio.

Now, gentlemen, what I have thus far said will have already indicated to you one thing, namely, that I was bound, from my standpoint, to hit upon the mean rate of exchange, and that I could not do otherwise than adopt it.

We have sought this mean rate of exchange, and it is embodied in the ratio; it embraces the whole period since 1879, when we freed our currency from the silver influence, down to the present time, and it seems to me to be the fairest of the many which were suggested to me.

And I would venture to add, it is the only one in favour of which there is any objective argument; all the other rates of exchange being recommended only from interested points of view opposed one to the other. To give my sanction to these interested points of view, or to decide in favour of one or other of them, that, gentlemen, was more than I could bring myself to do. So much for the history of the adoption of the mean rate of exchange as the ratio.

Now, gentlemen, I pass to another question, which I feel it my duty to answer here, although it is not strictly one of motive. You might with justice ask me, gentlemen, why do we bring these proposals forward now; why do we thus hurry the matter?

Gentlemen, I am fully sensible how great a sacrifice I am asking of you when I come before this Honourable House with these projects; and I beg you, gentlemen, to forgive me for asking it. Rest assured that, if I had not been fully convinced that it should and must take place, I should not have done it.

If I wish to justify this, I cannot take my stand upon what is true enough in this connection, namely, that that which is once recognised as good cannot be carried out too quickly, and such like; no, honourable gentlemen, I should have had to say to myself: Since the matter has now gone on for so many years, it may perhaps go on as it is for the present.

Then, gentlemen, why is it? I will give you a few reasons. Perhaps not the only determinative one is that the conditions of our currency, especially in their relation to the Hungarian portion of the State, are in urgent need of reform. I will not, for the present, say anything more about this here; this is a question which must be reserved for separate discussion; but I may observe that, the more one makes oneself acquainted with these conditions, so urgent is seen to be the need for legislative regulation of the currency, that I cannot find words to express it to you sufficiently strongly.

The dangers which are associated with the present state of things are very considerable, and a reform is indeed to be desired in this respect.

I have therefore endeavoured to make these proposals after agreement with the Hungarian Government.

A second point which renders the matter a very urgent one, is the conclusion of our treaties of commerce. Honourable gentlemen, you have this year agreed to the treaties of commerce, and, I take the liberty of adding, you very rightly did so; my firm conviction is that you could not have done otherwise.

These treaties of commerce are for the purpose of introducing stability into our economic relations with foreign States, a stability on which the calculations of the export and import markets can be founded; and you know, gentlemen, of how great importance the export and import markets are for us, and what a part our credit balance of trade plays in connection with our debit balance of payments. For this reason, gentlemen, that course has been, and had to be, taken in respect to treaties of commerce.

It is my inmost conviction, however, that this system of treaties of commerce and of stability of customs duties must be supplemented by permanence of monetary conditions, if the stability which it is sought to gain by the treaties of commerce is not to become altogether illusory.

Under the *régime* of our present monetary conditions, which have of late been fairly stable, and of the commercial conditions as now fixed by the treaties of commerce, the producing classes in Austria have prospered. It cannot be denied that such has been the case. The producing classes have, therefore, in my opinion, a right to demand that these conditions shall be rendered permanent, and that they shall not be left to chance for the interest on, and repayment of, the capital which they have invested.

On the other hand, those classes whose income is derived from property have also an interest in the maintenance of the conditions of production, because their security and their future depend entirely on the continued prosperity of the producing classes.

Therefore, honourable gentleman, I think it is urgently necessary that our monetary conditions should, in the interests of our production, be rendered stable, in order to secure us from what may be very disagreeable surprises.

This simple line of argument leads me at once to the third point, namely, the question: Are these conditions of our monetary affairs at this moment in danger?

I can only give one reply. If you follow the deliberations on the subject of the unrestricted coinage of silver in the United States of America, and if you observe how small is the difference there between majority and minority, you can form an idea as to what influences may possibly, without their being so intended, be exerted from thence on our currency conditions. The fluctuations of exchange during the year 1890, which you, gentlemen, will all recollect, have given us a slight foretaste of that which would happen if free coinage of silver were to be to-day established in the United States of America. I cannot, of course, speak to you of any set term in this regard, since that which takes place in another State is entirely beyond our control. Our duty it is, I believe, however, to consider how far we are in a position to provide against those effects, which may be exerted upon us by such occurrences, which take place quite independently of ourselves.

Finally, honourable gentlemen, I would go on to speak of a point which is, perhaps, also likely to cause uneasiness, and which, I believe, demands a few words of explanation. When you have read through these Bills, you will say: "We have to take the first steps," and it is, therefore, quite natural you should ask, What

more will have to be done? What will be the future development of this matter? The answer to this is contained in certain provisions in the draft Agreement which is submitted to you, and which it is proposed to conclude with the Government, or the Legislature, of the Kingdom of Hungary. Allow me to read you a few clauses referring to this point:—

Clause XVIII., paragraph 1, reads thus:—

"The introduction of the obligatory use of the Kronen currency in accounts, in conjunction with the regulation of the public circulation of coins, as well as the measures to be taken respecting those Austrian national silver coins of two, one, and a quarter, guldens which may still be in circulation after the date of this agreement, shall be determined by way of common legislation on a basis to be agreed upon by the two Governments. Concerning also the legal aspect of the employment of the Kronen currency, the necessary details shall be agreed upon by the two Governments before the introduction of the respective Bills."

In Clause XIX., paragraphs 1 and 3, it is stated:—

"The Governments of the two States shall, in mutual accord, lay before the respective Legislatures, at the proper time, Bills for the redemption of the State notes.

"Concerning the regulation of the paper currency, as well as concerning the resumption of cash payments, joint action shall be taken by the Governments of the two States at whatever may be the most suitable time."

Clause XXI. reads:—

"After the coming into force of this Agreement, the two Governments shall at once continue the negotiations, in order mutually to agree upon the legislative measures to be taken concerning the introduction of the obligatory use of the Kronen currency in accounts, in conjunction with the regulation of the public circulation of coins, besides those concerning the regulation of the circulation of paper money, and those relating to the resumption of cash payments."

Allow me also to read to you a few passages out of the fifth Bill.

Clause I. reads:—

"The Minister of Finance is empowered to contract a loan by means of an issue, according to the Law of 18th March 1876, R.G.Bl. No. 35, of four per cent. gold rentes, to that extent which is required in order to procure an amount of effective gold, of one hundred and eighty-three million four hundred and fifty-six thousand Austrian gold guldens."

In explanation of this amount, I would observe, what the honorable gentlemen present may have already perceived, that it represents 70 per cent. of those 312 million guldens of the Joint National Debt at present based on notes.

This amount we must have at all events.

Moreover, Clause IV. states:—

"The gold specie placed in reserve in accordance with the provisions of the previous clause can only be disposed of by legislative enactments."

In Clause V. the National Debt Control Commission of the Reichsrath (Upper House) are appointed to see to the observance of Clauses III. and IV. of this Act.

Clause VI. charges the Finance Minister to bring in, in due course, a special Bill for the regulation of floating debt, limited to a maximum amount of one hundred million guldens Austrian currency, and represented by partial hypothecary bonds, or, as the case may be, by the State notes which take their place in circulation.

You have thus in brief the steps which it will still be necessary to take to attain the final object in view.

I venture to add, it is quite out of the question to stop half-way in this course. We must continue to endeavour, by all the means in our power, to completely realise this new currency, and thus also in the end to attain cash payments.

But I can only repeat, as I said at the commencement of my observations, this must be carried out with certainty. It must be carried out in such a manner that no check can occur, for a relapse in this regard would be the very worst thing which could befall us.

On this ground, it would be most hazardous to fix legal terms for certain steps, and I have not proposed them to you, because the most fitting times cannot be foreseen.

But there is one thing more to which I would draw your attention. As soon as you prescribe a set term for yourselves by law, for taking a certain step before you have the means for taking it, that is to say, before you possess the gold which you need for doing so, that moment you place yourselves at the mercy of speculation (loud cheers), and that, honourable gentlemen, is a proceeding to which I will not, from this place, lend my hand (hear, hear). That is the reason for which these Bills have been framed as they are.

Another point must also not be lost sight of, which is, that this alteration of the currency must not in any way be combined, as has already once been the case, with any considerable diminution of the amount of circulating material.

That would be a proceeding which would not only deprive the alteration of currency of all its advantages, which would not only render it one of the most unpopular things in the world, but which would also, I firmly believe, lead, by its effects, to most unexpected and serious economical consequences.

This point deserves the most careful consideration, and affords another reason why it is not possible for us to tie our hands once and for all in this respect by fixing a set term.

I can only repeat, this plan must be carried out in all earnest, and with the firm intention of arriving at a definite result, but it is equally necessary that the choice of the most favourable moment for each individual step be left open.

I have not desired to obtain for the Government any power of making regulations in regard to further steps in this important matter, any more than I have desired such power for the determination of the ratio, although this was pressed upon me from many quarters.

You will, therefore, if these Bills are passed, have yourselves to determine the subsequent measures for the further development of the matter. And now, gentlemen, allow me in conclusion to say one thing more, the circumstances are of such a nature that, the more I have occupied myself with this matter, and I can assure you that since the day I took office it has lain heavy on my heart, the more serious has appeared to me the danger of longer delay (hear, hear!).

Every day has added in this respect to the burden of the responsibility resting on me, and thus at last it has led to my coming before you with these proposals.

The fact alone of my doing so should be to you, most honourable gentlemen, a proof of the earnestness of my convictions on this subject, for indeed it would have been easier and more convenient to have let the matter rest were it was, and I do not believe even that any very serious reproaches could have been made by futurity if one had done so.

Now, gentlemen, it is your turn. I beg you to examine these proposals, and to decide about them as may be best for our beloved country (loud cheers). (The speaker received the congratulations of his colleagues in the Ministry.)

CANADA.

The SECRETARY to the HIGH COMMISSIONER FOR CANADA to the SECRETARY OF THE INDIAN CURRENCY COMMITTEE, dated 17, Victoria Street, 18th November 1892.

DEAR SIR,

IN reference to your letter of the 8th instant, I think I cannot do better than enclose you an extract containing Section 3 of Chapter 31 of the Revised Statutes of Canada, 1886, relating to the issue of Dominion notes, and the security which the Government is required by law to keep in gold against the note circulation.

I may mention that, according to the return issued in the "Canada Gazette" of October 17th, the sum required to be held in specie on the issue of Dominion notes, which on the 30th September amounted to $18,499,942, was $2,774,991. The actual specie held by the Government on that date was, however, $6,209,666.

By the law they are also required to hold ten per cent. of the value of the notes in guaranteed debentures, which would have been equal to $1,849,994. The actual value of such debentures held on the date before mentioned was, however, $1,946,666.

You will see, therefore, that the excess of specie and guaranteed debentures in the possession of the Government was $3,531,347.

Yours faithfully,
J. G. COLMER,
Secretary.

Enclosure.

Extract from the Revised Statutes, 1886, Chaper 31.

3. The amount of Dominion notes issued and outstanding at any time may, by Order in Council, founded on a report of the Treasury Board, be increased to but shall not exceed twenty million dollars, by amounts not exceeding one million dollars at one time, and not exceeding four million dollars in any one year: Provided that the Minister of Finance and Receiver General shall always hold, for securing the redemption of such notes issued and outstanding, an amount in gold, or in gold and Canada securities guaranteed by the Government of the United Kingdom, equal to not less than twenty-five per cent. of the amount of such notes,—at least fifteen per cent. of the total amount of such notes being so held in gold; and provided also that the said Minister shall always hold for the redemption of such notes an amount equal to the remaining 75 per cent. of the total amount thereof in Dominion debentures issued by authority of Parliament.

(43 Vict. c. 13. s. 1.)

CEYLON.

The COLONIAL OFFICE to the INDIA OFFICE, 25th November 1892.

(Extract.)

I AM directed by the Marquis of Ripon to transmit to you, to be laid before the Earl of Kimberley, the enclosed copy of a letter from Mr. T. North Christie, late Member of the Legislative Council of Ceylon, on the question of the currency of India and the Eastern Colonies.

The statements made in this letter appear to Lord Ripon to deserve serious consideration, and his Lordship would suggest, if Lord Kimberley sees no objection, that the letter should be communicated to Lord Herschell's Committee, which is now inquiring into the question of the Indian currency.

If that Committee should wish to hear any further evidence on the points raised by Mr. Christie, Lord Ripon would ask the Secretary to the Ceylon Association in London, through whom Mr. Christie's letter reached this Office, whether he could give the names of one or more of the leading members of that Association who would be able and willing to appear in support of Mr. Christie's contentions. Representatives of the mercantile community of Hong Kong and the Straits Settlements might perhaps also with advantage be invited to give evidence.

Without expressing definite concurrence in all of Mr. Christie's statements, Lord Ripon considers that there is much force in his view that the interests of the producers in silver-using Colonies have often been overlooked in the discussions which have taken place on this question. His Lordship need hardly point out that there are several more or less conflicting interests involved, *e.g.*, the interests (1) of the English merchants and traders; (2) of the producers and inhabitants generally of the silver-using Colonies as well as of India; (3) of the Governments which have to make remittances to meet gold payments in this country; and (4) of the English Civil Servants in the Eastern Colonies and in India. Of these four groups the second is at some disadvantage, not having the same means as the other three of making their voices heard with equal loudness and persistency.

Enclosures.

Mr. CHRISTIE to the SECRETARY OF STATE FOR THE COLONIES, 6th November 1892.

MY LORD,

I VENTURE to address you in connection with the proposed interference with the value of silver, either generally by international bi-metallic agreement or locally by the adoption of a gold currency for India, and the effect which such interference might have on the prosperity of our silver-using Colonies.

I regret that your Lordship's attention to this important and complex subject should be, in the first instance, invited by a private individual like myself, and not by an influential representative body, but the matter has become somewhat urgent, owing to the approaching International Conference, the appointment of Lord Herschell's Committee, and the speech, on the 27th ultimo, of the Right Honourable Arthur Balfour at Manchester.

The chief reason and excuse for this letter is the fact that, during the whole prolonged discussion and consideration of this question, the interests of our silver-using Colonies have been entirely overlooked, although their aggregate trade is equal to one-third of that of all India. Nor have the Eastern producers' interests, which far exceed those of any other single class, ever been represented before any inquiry. Among the witnesses examined by the last Royal Commission were spokesmen on behalf of the Indian Government, the Currency Economist, the Capitalist, the Financier, the Merchant, and the Indian Civilian, but there was no one who could possibly be considered a representative of the great producing classes—Native and European—of India, Ceylon, the Straits Settlements, Borneo, and Mauritius.

If the question of the adoption of a bi-metallic standard were being discussed by competent personally disinterested financiers, the issue might be left to them; but, unfortunately for an impartial consideration, one side is supported and urged on by numerous, influential, and by no means silent classes, who, for their own sakes, desire to see the value of the rupee raised. The absence on the monometallists' side of any corresponding active backing is chiefly due to the fact that the great mass of the Eastern producers are natives who understand nothing of the question, and who do not know that the remunerativeness of their industries is threatened.

To the Europeans who are engaged in Eastern agriculture, mining, and manufacture, the real position has been disguised or obscured by either a belief that a "fixed ratio" does not mean an increased gold value for silver, or by the absolutely unproved, and I believe quite erroneous, statement that a rise in the gold value of silver will forthwith cause an equivalent rise in the gold value of all their commodities.

It is hardly necessary to demonstrate that, beneath the apparently harmless (so far as the producer is concerned) cry for a fixed ratio, there is, in almost every case, the underlying intention that the ratio shall be one which increases the relative value of silver. The Indian Government avowedly desire to raise the value of the rupee. In 1878 it was, I think, the proposal of your Lordship's Government to raise the value of the rupee from 1*s.* 7*d.*, at which it then stood, to 2*s.*, and, in Lord Dufferin's despatch of 4th September 1886, it was stated that "the ratio should be not lower than "the average market ratio of recent years, and not "higher than the former French ratio of 1 to 15½." It is manifest that the owner of rupee-valued securities, the rupee-paid salaried classes, the Eastern banks, and the English manufacturer of goods for sale in the East, would not welcome, or even accept, a fixed ratio that was or became one which did anything but raise the value of the rupee. It is justifiable to assume that the real demand is not for a fixed ratio *per se*, but for a fixed ratio higher by a good deal than the natural ratio. So, too, with the suggested gold standard for India. It will not effect the object of those who ask for it, unless it is somehow made the means of increasing the relative value of the rupee.

Your Lordship's connection with Indian finance may incline you to doubt whether low exchange is on the whole a benefit to a silver-standard country; but I would venture to submit that it is undoubtedly so where the country has large exports which sell on the basis of a gold value, and where the loss on the sterling payments of the Government is less than the gain on the sterling sales of the exports. Taking the annual exports of India as being worth sixty millions sterling, that sum, at 1*s.* 4*d.* per rupee, gives the people interested Rs. 900,000,000 for division amongst them, instead of the Rs. 600,000,000 which would be available if the rupee were at par. The gain to the people as producers is much more than the loss to them as taxpayers. In the case of the silver-using colonies the gain is relatively much greater, as the exports are proportionately larger and the sterling engagements much less than is the case with India.

Mr. Balfour, in his speech on 27th ultimo, stated, "I firmly believe that an appreciating currency is "fraught with evil to every class in the community." Mr. Balfour was referring to the gold currency of England, but, whatever truth there is in the statement, it must hold good with the silver currency of India too. The Bombay Chamber of Commerce, in their Report for 1886, stated that, "while admitting the inconveniences of constant fluctuations in exchange, they "are of opinion, after considering the question from all "sides, that the fall in exchange leaves a balance of "benefit to the commerce and people of India."

The revenue of India during the past 15 years shows, too, I think, the result of that "balance of benefit,"

for, notwithstanding the annual prophecies of approaching bankruptcy, the revenue has been almost able to meet the very heavy loss on sterling engagements, and I believe the additional taxation imposed during the period is but little more than equivalent to the remissions. Lord Dufferin in 1886 was able to state that the "steady growth of the revenue more than covered the "additional loss by exchange," and that "there was a "larger margin of reserve than there was in 1882–83."

The question as to whether a country producing for export to gold-paying markets, would during the past 20 years have been better off with a gold or a silver standard, can be removed from the sphere of mere academic discussion and practically illustrated by a comparison between Ceylon and Java. These two countries have many points of resemblance; their chief products are the same, and both suffered terribly from coffee-leaf disease ruining their staple product. Ceylon has a silver standard, Java a gold one. The revenue of Ceylon has gone up almost by bounds, that of Java is almost stationary, and the budget for the Dutch East Indies shows this year a deficit of 9 million florins.

During a period which saw the Ceylon exports of tea rise by 30 million pounds, Java's export rose one million, and its total exports of that product are only 7 or 8 per cent. of those of Ceylon.

I do not maintain that the difference in currency has been the sole cause of stagnation in the one country and progress and prosperity in the other, but I am convinced that it has been an overwhelming factor in the case, and that the laments of the Java producers are justified; so convinced of this are the tobacco producers of Sumatra, that they have managed to adhere to a silver currency in all their transactions (except payments to Government), in spite of having to use an alien coinage not recognised by their Government or mother-country.

I believe, too, that a comparison between the prosperity of the cocoa-nut industry in Ceylon and that of Fiji would show that the gold standard in the latter colony has interfered with the expansion of the industry.

No one, I think, would venture to question the statement that, other things remaining the same, a rise in the rate of exchange would be adverse to the Eastern producer.

If the rise was a penny or twopence in the rupee, his remaining profits would be small; if the rise was fourpence or sixpence, there is hardly an enterprise I know of in Ceylon or the Straits—whether agricultural, manufacturing, or mining—that could be worked without ruinous loss. All that is advanced is that, as the fall in the value of silver has caused a fall in the market price of commodities, so will a rise in silver be followed by a corresponding rise in prices. Silver has undoubtedly fallen during the past 18 years, and so have many articles of trade; but that the fall in silver was the *cause* of the fall in other values is a mere unproved statement, and, I believe, a perfectly erroneous one, beyond where the fall in silver has acted on the production of some other article, and the production has, through the law of supply and demand, acted on the price.

I have carefully studied the Board of Trade returns of the average annual prices of the various British imports, and there is not the least difficulty in tracing the fluctuations in the price of any specific article to other causes, the ruling factor in all cases being supply and demand. India-rubber, gutta-percha, and ivory stand at the one end, as products the production of which, being with nature, is limited, while the demand is great, result much higher prices in spite of falling silver; coffee, the supply of which has fallen off owing to the effects of disease in the plantations of Ceylon, Java, &c., fully maintains its price even in face of waning popularity; cacao, owing to the increasing demand for chocolate, also maintains its price in spite of large additions to the area of cultivation; tea, owing to the enormous out-put from Ceylon and India, has fallen in price, but not in proportion to silver; grains and minerals, owing to facilities for transport and new areas of production, have fallen greatly, and so on with the whole list. If the fall of silver caused the fall in prices, and if the suggested rise will cause a reversion to the higher prices of the past, the connection between silver and the price of commodities must be intimate, and should certainly have maintained even values for produce prior to 1870, but such was far from being the case; when silver was steady, prices of other commodities went up and down just as they do now; generally the tendency then, as now, was downwards, due, no doubt, to the increasing cheapness of transport and consequent additional sources of supply. It would not be of use to enter into elaborate details in connexion with the various products, but I enclose, for your Lordship's information, details connected with tea. Enclosure A. shows the average annual price of a standard quality of tea from 1836 to 1870, during which period silver was steady, and yet prices ranged between 2*s.* 4½*d.* and 7*d.* in bond. Enclosure B. shows the average prices of Ceylon tea since its introduction, and the average rates of exchange for the same period. The diagram shows at a glance that there is nothing synchronous between the fluctuations of silver and tea as related to gold.

I do not expect this letter, which, although tedious, is far from exhaustive, to do more than show that our silver-using colonies are deeply concerned, in a matter the consideration of which has hitherto been marked by their interests and views remaining unrepresented; and I feel that at the present juncture, when the demand for a gold currency for India is being seriously considered, there is some danger of Ceylon's position being overlooked.

Holding the views I do, I believe that a gold currency for India, one which has the effect of putting an artificially high value on the rupee, will diminish or do away with the "balance of benefit to the commerce and people of India," but it is not my business or intention to argue that question.

Your Lordship will be aware that Ceylon uses the Indian rupee, though with a subsidiary decimal coinage and a note issue of its own; and I suppose that those who contemplate an artificial rise in silver by means of an Indian gold standard, think (if they have thought of it at all) that Ceylon will be willing or can be forced to join in the scheme; but Ceylon, it will be found, will resist any such proposal. Ceylon has no desire to see the Indian producer, with whom it competes on friendly terms, placed on a level with those of Java, or Indian industries wane in order that others may flourish; but, of a certainty, Ceylon will decline to follow the example. If Indian industries are to be injured and others benefited, it is better that the benefit, or as much of it as possible, should remain with England's other silver-using possessions,—Ceylon, the Straits, Borneo, and Mauritius,—rather than be passed on to China, Japan, &c.

I would ask that the Colonial Office take such steps as may be necessary to safeguard our interest in the matter, and that from the first there may be no misunderstanding as to Ceylon's connection with a gold standard for India.

I am, &c.

THOMAS NORTH CHRISTIE.

St. Andrew's, Maskeliya,
Ceylon.

Sub-enclosure.

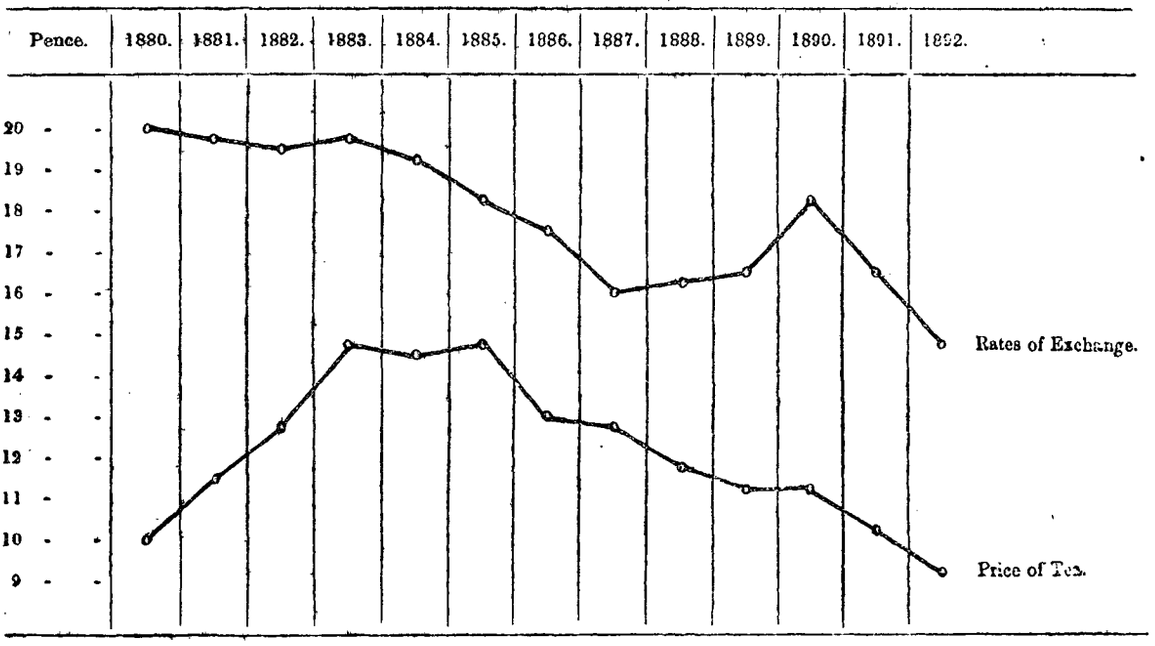
A.

Years.	Imports. Grand Total.	Price, Standard Common Congou in Bond.	Duty.
		s. *d.*	*s.* *d.*
1836	50,151,000	1 0	2 2½
1837	38,272,000	1 7½	2 2½
1838	35,001,000	1 2½	2 2½
1839	38,324,000	2 4½	2 2½
1840	28,224,000	2 3	2 2½
1841	31,218,000	1 10½	2 2½
1842	41,644,000	1 2½	2 2½
1843	46,853,000	0 11½	2 2½
1844	48,393,000	0 10½	2 2½
1845	51,308,000	0 9½	2 2½
1846	56,503,000	0 9½	2 2½
1847	55,255,000	0 7½	2 2½
1848	45,124,000	0 7	2 2½
1849	52,400,000	0 8½	2 2½
1850	48,300,000	0 10½	2 2½
1851	71,500,000	0 10½	2 2½
1852	64,700,000	0 8½	2 2½
1853	69,700,000	0 11½	1 10
1854	78,700,000	0 11½	1 6
1855	83,300,000	0 9	1 9
1856	87,700,000	0 9½	1 9
1857	67,000,000	1 1	1 5
1858	74,000,000	0 11½	1 5
1859	70,500,000	1 2½	1 5
1860	92,400,000	1 4½	1 5
1861	92,750,000	1 0	1 5
1862	106,500,000	1 1½	1 5
1863	145,000,000	1 0½	1 0
1864	123,000,000	0 11	1 0
1865	121,000,000	0 11	0 6
1866	137,000,000	0 11½	0 6
1867	128,000,000	0 11½	0 6
1868	153,000,000	1 2	0 6
1869	138,500,000	1 1	0 6
1870	141,000,000	1 0	0 6

B.

PRICE of CEYLON TEA and RATES of EXCHANGE, 1880 to 1892.

Years.	Price of Tea.	Rates of Exchange.	Tea.		Exchange.	
			Rise.	Fall.	Rise.	Fall.
	d.	*d.*	*d.*	*d.*	*d.*	*d.*
1880 - -	10·5	19·95	—	—	—	—
1881 - -	11·75	19·89	1·25	—	—	0·06
1882 - -	12·75	19·52	1·00	—	—	0·37
1883 - -	15·25	19·53	2·50	—	0·01	—
1884 - -	14·75	19·30	—	0·50	—	0·23
1885 - -	15·25	18·24	0·50	—	—	1·06
1886 - -	13·25	17·43	—	2·00	—	0·81
1887 - -	13·00	16·08	—	0·25	—	1·35
1888 - -	11·50	16·37	—	1·50	0·29	—
1889 - -	10·75	16·56	—	0·75	0·19	—
1890 - -	10·75	18·09	—	—	1·53	—
1891 - -	10·00	16·70	—	0·75	—	1·39
1892 - -	9·50	15·10	—	0·50	—	1·60



The price of Ceylon tea has fallen 9½ per cent. in the last 12 years, while Exchange has fallen 24⅓ per cent.

CHILE.

Mr. HERBERT C. GIBBS, of Messrs. Antony Gibbs and Sons, to the SECRETARY TO THE INDIAN CURRENCY COMMITTEE.

15, Bishopsgate Street Within,
DEAR SIR, 1st December 1892.

REFERRING to our conversation of to-day, I will set down a few reflections on Chilian currency in its relation to trade, in the hope that they may assist the Committee in taking my evidence.

The alterations in the currency have been as follows:—

Before 1873, when the French mints were closed to the free coinage of silver, both gold and silver were current in Chile, but after that date gold left the country.

In 1878, the Government made redundant issues of legal tender notes, and silver left the country. Since that date to the present, the exchange has fluctuated between about 46*d.* and 16*d.* per dollar.

I understand that the Committee desire to take evidence about the effect of a forced currency on the trade of Chile, in order that they may be able to estimate the effect of closing the mints to silver in India, while retaining the rupee as full legal-tender money in that country.

But there are many circumstances connected with Chile which find no parallel in India, and it seems to me that the present state of affairs in India would be a more perfect guide than a study of affairs in Chile.

It is true that the present currency of India is not a forced currency, but it fluctuates, just as the Chilian currency fluctuates, in terms of gold, and therefore I suppose the effect on trade should be the same in both countries, supposing the fluctuations in exchange and the other conditions were the same. The only differ-

ence seems to me to be that, whereas commodities have fluctuated more or less with silver, neither commodities nor wages have altered much in value as measured in rupees; whereas in Chile the case is different, for other causes affected exchange besides the fluctuations of silver, and consequently a low exchange has benefited the producer and exporter, and a high exchange has injured him, *e.g.*, copper mines.

With regard to the importer, I could give instances to show that he suffers when exchange falls, but doubtless the Committee have already many instances of this.

I suppose the chief point that the Committee wish to elucidate is the effect on wages caused by the rise or fall of exchange; I might therefore say, that for some time after the exchange began to fluctuate the labourer did not at all understand that exchange affected the value of his dollar; nor, indeed, did it produce much effect, as the native producer who supplied him with goods did not understand it either; and, moreover, in large industrial undertakings which are financed with gold capital, the employers usually keep a shop to supply their men, and do not make much alteration in the dollar value of their goods, so as not to attract the attention of the employé to the decreased value of the dollar. But latterly this subject has been much better understood, and if exchange falls there is usually an outcry on the part of the labourer for increased wages; when, however, exchange rises, I need hardly say that it is very difficult to lower wages without strikes and riots.

The effect of exchange on wages is much obscured by the fluctuations in the demand for labour in Chile, owing to wars and revolutions, and also to artificial decreases or increases in the production of nitrate; but, speaking generally, one may say that, though wages do not fall or rise in an equal inverse ratio to exchange, and though they do not follow the fluctuations in exchange at all rapidly, yet that they are affected by exchange to a much greater extent than formerly.

This, I fancy, is due to the following causes. The external trade of Chile is almost entirely in the hands of English and Germans, viz., gold-using people, and consequently most of that trade has been done on a sterling gold basis by bills on London; and, as the fluctuations in exchange increased, this became more and more the case, so that more people (financially speaking) think in gold. Coal is sold for sterling, nitrate is now usually sold in Chile for sterling, and this preference for sterling is now so well recognised that an Act has been passed legalising contracts in any currency.

Then again, to take the greatest industry of Chile—the production of nitrate of soda; the railway and maritime freights are paid in sterling or at a fixed exchange, the export duty is paid in sterling, and the chief employés are paid in sterling, and the stuff is sold for sterling, so there only remains the labour which is paid in currency; the labour is probably about one-ninth of the cost delivered in Europe, and even if wages rise or fall it matters but little in this case to the producer, as nitrate is a monopoly, and the sole effect is a rise or fall in price and a slight fall or rise in the consumption. Then again, as far as the Government is concerned, it is able to remit sterling to meet its foreign debt, as the nitrate export duty is paid at a fixed exchange.

In spite, however, of these alleviating facts, the disadvantages to trade of a fluctuating exchange are so great that the Chilian Government now intends to make the dollar convertible at 24*d.* exchange, payable in gold.

If the Committee wish for evidence to show that a fluctuating exchange checks the development of a country, I should find it very difficult to point out any particular enterprise that had been abandoned owing to the fear of exchange, for in every proposal there are so many disadvantages that it is not possible to point to one as the cause of the proposal being abandoned. I might, however, except those cases in which the revenue is a definite amount in dollars, as in undertakings that do a certain work for the Government, such as drainage, waterworks, &c., and where the Government recover the rates and pay the undertaking a fixed currency revenue; in these cases it would be difficult or impossible for the Government to be continually raising or lowering the rates in currency, so that either the undertaking loses by exchange if it falls, or, if the Government agrees to pay the undertaking in gold, the Government loses.

Another case in point is that of railways, the tariffs of which in most South American countries are usually fixed by law at a definite amount in currency.

In the same way, I have seen the difficulty of placing railway bonds payable in silver guaranteed by the Mexican Government, when the Government did not wish to pay in gold and run the risks of exchange.

In considering how far the case of Chile is a parallel one to that of India, no doubt the Committee will take into account the fact that Chile only contains about 3,000,000 inhabitants, and that its external trade is comparatively very great; whereas India has a population of 280,000,000 who use the currency of the country, and, as I imagine, its external trade is in proportion small as compared with Chile.

If this point is considered of importance, no doubt you could get the figures and compare them, or I could do so as regards Chile, if you wished.

I have, &c.
HERBERT C. GIBBS.

CHINA AND JAPAN.

MESSRS. MATHESON & CO., to the SECRETARY OF STATE FOR INDIA.

3, Lombard Street,
MY LORD, 11th February 1893.

IN the "Times" newspaper of the 3rd instant, there is given, in the telegraphic intelligence under the head of India, a summary of the speeches made on the occasion of a deputation from the Currency Association being received by the Viceroy.

One of the members of the deputation, Mr. W. Bell-Irving, who represents our friends Messrs. Jardine, Skinner, & Co., a firm which acts as agents in India of one of the two lines of steamers running between China and Calcutta, and which also represents our friends Messrs. Jardine, Matheson, & Co., of China and Japan, is reported to have said that he did not regard the closing of the mints as likely to curtail the trade between India and China; and, as we are informed that Messrs. Jardine, Matheson, & Co., who are greatly interested in that trade, hold views on the subject different from those expressed to the Viceroy on the occasion referred to, we beg that you will make their dissent known to the India Council, before whom we presume the representations made by the deputation will be brought.

We have, &c.
MATHESON & CO.

The SECRETARY OF THE TREASURY to the SECRETARY OF THE INDIAN CURRENCY COMMITTEE, 2nd March 1893.

SIR,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to forward you a copy of a letter received by this Board from the China Association, on the subject of the closing of the Indian mints, expressing a hope that no such step is in immediate contemplation; and I am to suggest that you should communicate this letter to the Indian Currency Committee now sitting.

I have, &c.
R. E. WELBY.

Enclosure.

LETTER from the HONORARY SECRETARY OF THE CHINA ASSOCIATION to the SECRETARY TO THE TREASURY.

SIR, 9th February 1893.

A TELEGRAM has been received from the Shanghai Branch of this Association, expressing alarm at the agitation in favour of closing the Indian mints, and a hope that no definite action will be taken without considering the views of British merchants concerned in the China trade.

It is foreseen that the variation between the values of the precious metals, that resulted from the demonetisation of silver in Europe, must be widened by a further extension of that policy; and that there must ensue a further violent disturbance of exchange, which would have a disastrous effect on the great interests concerned in the trade with Eastern Asia.

The Committee of this Association fully appreciate the complication and immense importance of the interests involved. Sharing, however, the grave apprehensions expressed in the Shanghai telegram, they concur in the hope that no definite action will be taken until the fuller representations of which it is a precursor have been laid before Her Majesty's Government.

I have, &c.
R. E. GUNDRY,
Honorary Secretary,
China Association.

Telegram, dated Shanghai, 2nd February 1893.

Committee (of China Association) alarmed at the proposed close of Indian mints. The consequences will be serious to China trade and Exchange on London and India. Strongly urge, if it is possible, prevent definite action. Will write fully concerned. Await mail, 11th February.

The SECRETARY OF THE CHINA ASSOCIATION to the SECRETARY OF THE TREASURY.

China Association, 31, Lombard Street,
SIR, 6th April 1893.

IN pursuance of my letter of the 9th February, I have now the honour to submit, for the consideration of Her Majesty's Government, a letter from the Shanghai branch of this Association, giving reasons for believing that the proposed close of the Indian mints would have a calamitous effect on the interests of British commerce, not only in China, but throughout Eastern Asia. For, although the magnitude of the China trade gives it natural prominence, Japan, Hong Kong, the Straits Settlements, and every centre of British trade in the silver-using countries of Asia, are equally concerned.

The question presents itself under two aspects,—
1st. Trade between Eastern Asia and India.
2nd. Trade between Eastern Asia and England and the rest of the Empire.

The Shanghai Committee invite special attention to the rapid growth in the import of Indian yarn, which has reached a total of 67,000 tons, valued at nearly Tls. 20,000,000, while the import of yarn from England remains nearly stationary at about 4,000 tons. Considerations of staple and suitability have doubtless had their effect in producing these results, but the steady level of exchange between two silver-using countries has unquestionably been an important factor.

To close the mints of India to silver, or to establish a gold currency, would be to abolish the advantage which she now possesses, and to place her manufacturers at the same disadvantage of a varying exchange by which the Manchester manufacturer is already handicapped. One of two results would probably follow. Either China—which is a large grower of cotton, and possesses ample area suited to its extended cultivation—would be encouraged to erect machinery and spin her own yarn, or she would transfer her custom to Japan, which is rapidly developing a great manufacturing industry.

The reflection can hardly fail to suggest itself that the opium trade would be affected by similar considerations, with the probable effect of stimulating production in China and Persia, and hastening improvement in the manufacture of Chinese opium to meet the luxurious demand for superior quality which the better prepared Indian drug at present supplies.

Neither must the consideration be lost sight of that the trade between India and China is remarkably one-sided. The exports of yarn and opium alone, from India to China, exceed Tls. 50,000,000. Exact statistics of the return exports from China to India are difficult to obtain, because they are, as a rule, exported first to Hong Kong, and merge in the general figures of the trade with that Colony. But it is notorious that they are trifling compared to the great value of the imports, and that they leave, consequently, a large adverse balance, which has to be adjusted, practically, by the remittance of silver, how much soever the fact may be disguised by the intricacies of banking operations.

The same consideration applies to the trade between India and Japan, Japan being also a large importer of Indian raw cotton and yarn, for which she also has to pay in silver.

We should, in fact, be setting up between India and the farther East the very barrier which is now embarrassing her financial relations with the West. Having made gold artificially scarce by demonetising silver in Europe, it is now proposed to make silver artificially scarce in India, with a view to redress the balance.

It is, however, beyond the province of this Association to dilate on objections that present themselves from an Indian point of view, to a policy that would contract her currency at home and disturb her commercial relations abroad. Our purpose is rather to urge that the question is one which must not be looked at exclusively from an Indian standpoint; for England is vitally interested in the trade and financial systems, not only of India, but of the whole East. It is not only the interests of India that are concerned; the manufacturing pre-eminence of Great Britain, already seriously shaken by the growing difficulties of commercial intercourse with silver-using countries, would be still more gravely prejudiced by the further disturbance of exchange that must inevitably result.

While the mills of Lancashire have been lately idle, mills in Japan have been working the fullest time, and new machinery of varied character is being rapidly set up. The cotton industry of Japan is, in fact, advancing by leaps and bounds, and the purpose is evidently entertained of competing with Manchester in the production of the finest qualities of yarn. Possessing the same advantage as India in respect of cheap labour, Japan has the advantage over Bombay of possessing cheap coal close at hand; and, though she has at present to import the greater part of her raw cotton, she is at a less disadvantage in this respect than England, and will obviously be favoured in her intercourse with China by every fresh variation of exchange between silver and gold-using countries.

At a moment when efforts are being made by our diplomacy to extend intercourse with China and Japan, by obtaining freer intercourse with the inhabitants and removing fiscal obstructions—so as to extend the consumption of manufactures in the production of which our labouring population is so vitally interested—we should be neutralising these efforts by widening the gulf between the (gold) cost of producing our manufactures and the (silver) price for which they sell, to a point that would make our export trade to silver-using countries almost impossible.

The Committee conceive that there is not ground for any conflict of opinion as to the certainty of this result. They have, therefore, less hesitation in associating themselves with the protest of their correspondents in China, because they find themselves in sympathy with the known views of the Government of India as to the remedy that would best conciliate all the various interests affected.

Experience and inquiry have convinced merchants and manufacturers that the depression in our trade with the East has been brought about mainly through the appreciation of gold in Europe, and the consequent divergence in value between it and silver that has resulted from the dislocation of the tie between the two metals; and they are persuaded that a cure is to be found in the remonetisation, rather than in a further demonetisation, of silver.

It is held as a settled conviction, by the great majority of those concerned in Eastern trade, that the re-opening of the mints of the world to the coinage of both metals at a settled ratio, would at once obviate the financial difficulties of India, and remove commercial disabilities which threaten to assume disastrous proportions if the opposite policy is pushed to a further extreme.

But, if it is held to be impossible to entertain, at present, the recognition, internationally, of both metals as money on a fixed basis of relative value, the Committee is convinced that a policy of non-interference would be less harmful than further partial and local legislation. Rather than such a policy, the Association would prefer a scrupulous non-interference with the natural laws of supply and demand. The operation of those laws would, in time, produce something like finality in the relative value of the precious metals; whereas local legislation would not only be non-conclusive, but would interfere seriously with the internal prosperity of India (which has been stimulated by an increasing and abundant currency), and would be deplorable in its effect on the manufacturing industry of Great Britain, which is largely dependent for an outlet on the Greater East, outside of India, with which an immense commerce has been built up under more favourable currency conditions.

The creation of that commerce has, as our Shanghai correspondents point out, involved the employment of a vast capital, in banks, docks, industrial companies, and all the various adjuncts of trade—capital which has been already seriously depreciated by the late currency disturbances in Europe, and which is still more gravely menaced by the further demonetisation of silver that would be the virtual outcome of exclusive currency legislation for the Indian Empire.

I have, &c.
R. S. GUNDRY,
Hon. Sec., China Association.

The Secretary to the Treasury.

Enclosure.

The China Association in Shanghai,
SIR, 10th February 1893.

A GENERAL meeting of the members of the China Association in Shanghai was held on the 23rd of January; and among other subjects for consideration was the probable effect upon foreign trade in the Far East of the adoption by India of a gold standard, and the close of the Indian mints to further rupee coinage. In the result, the newly-elected Committee was deputed to frame a resolution to be forwarded to you, with a short statement of the principal grounds upon which the Resolution is based. The Committee, realising the urgency of the matter, have given to it the consideration the limited time at their disposal permitted, and have agreed upon the following Resolution:—

"That the Local Committee of the China Association in Shanghai request the China Association in London to watch all proposed legislation in connexion with gold and silver, especially measures exclusively relating to India for the establishment of a gold standard there, and the close of the mints: action which, in the opinion of the Local Committee, must be highly prejudicial to commerce in the Far East."

In support of this Resolution, the Local Committee beg to lay before the Association the reasons on which they rely.

I. China, Japan, and generally all countries east of British India, are silver monometallic; silver retaining its value as a standard for all commodities except those imported from gold monometallic nations.

II. With the opening of China to foreign commerce, British subjects acquired interests which appeal for protection to the Imperial Government equally with the interests of their fellow subjects resident in the Indian Empire. The settlement of British subjects in Treaty Ports and Crown Colonies has necessitated large expenditure in land and buildings, and the establishment of indispensable adjuncts of trade in the form of Banks, Insurance, Shipping, Dock, Wharf, Warehouse, Land, Building, and Industrial Companies of various kinds, employing a vast amount of capital, all of which is imperilled by the threatened demonetisation of silver in India, which will virtually be the outcome of exclusive currency legislation for that Empire; legislation which must inevitably injure that portion of British enterprise and commerce founded and fostered under the treaties of trade and commerce made by Her Britannic Majesty's Government with the nations of the Far East, which is dependent upon silver as currency.

III. Whatever may be the eventual results, it is certain that trade which has taken years to build up, must be seriously disturbed without compensating advantages; whereas, if the ratio of the currencies in use in India be established by general international consent, instead of being confined to India, trade between China and India will not be disturbed; the quantity of silver will be always the same, while exchange will be governed by the usual conditions.

IV. The appreciation of gold in Great Britain has tended surely and steadily to divert the supply of certain cotton manufactures for Chinese consumption from Great Britain to British India, the variations in exchange between the latter country and China, both silver-using countries, being confined within a known range.

V. The preceding paragraphs point more especially to the injury which the isolated action referred to will entail upon British interests in China. Other results, affecting identical interests in India and China, must follow.

VI. An illustration of the growth of Chinese consumption of an article which now forms an important and valuable export from British India, the manufacture of which has stimulated the production of cotton, and led to the establishment of industries there in which considerable capital has been invested, is cotton yarn. This trade has developed within the last ten years on a silver basis, the currency common to producer and consumer alike; and, if that common currency be disturbed, this important trade will, for reasons shown in paragraph X., be lost to India, probably without benefit to Great Britain.

VII. The statistics following are taken from the Chinese Imperial Maritime Customs Returns, the separation of Indian and English imported yarn not being shown prior to 1889.

TOTAL IMPORTS, 1882 to 1888.

—	—	Value.
	Piculs.	Taels.
1882	184,939	4,505,000
1883	228,005	5,242,000
1884	261,457	5,584,000
1885	387,820	7,871,000
1886	334,582	7,868,000
1887	592,687	12,547,000
1888	633,463	13,427,000
From Great Britain:		
1889	50,144	1,077,000
1890	88,349	1,797,000
1891	73,058	1,507,000
From India:		
1889	628,413	11,884,000
1890	993,145	17,507,000
1891	1,138,083	19,397,000

These statistics show that the import of Indian yarn alone in 1891 exceeded the total import of all cotton yarn in 1882 by 515 per cent. in quantity and 331 per cent. in value.

The value of the 67,000 tons weight of yarn imported from India into China in 1891, at the low rate of exchange of 220 rupees per 100 dollars, is 653 lakhs of rupees; and there are indications of further increase year by year.

Japan is also a large consumer of Indian-made yarn.

VIII. Although the consequence of closing the Indian mints and establishment of a gold standard may be to raise in India the sterling equivalent of a rupee to 1*s.* 6*d.*, 1*s.* 9*d.*, or 1*s* 10½*d.*, the purchasing power of the rupee within the Indian territory will not be increased; as a symbol of native value its quality will be unchanged.

IX. While the rupee will remain as a coin in India with the small purchasing power as before, beyond India it will have an artificial value, ranging from 20 to 50 per cent., to be made good in exchange. The effect will be the same as if an export duty of 20 to 50 per cent. were levied on yarn, to be borne by the producer.

Example.—The Indian spinner can now sell 10,000 dollars' worth of yarn for 22,000 rupees, and the Chinese consumer is prepared to pay 10,000 dollars, plus charges, because he cannot manufacture for himself on equal terms. If the exchange value of the rupee be artificially raised to 1*s.* 6*d.*, and the spinner still receives 22,000 rupees as before, the Chinese consumer must provide 12,000 dollars, plus charges, to meet the fall in exchange between China and India. This difference of 20 per cent. enables him to supply his own wants by home manufacture; and, if the Indian producer cannot compensate him for the difference in exchange in the price of his yarn, he must forego the sale to China.

X. China is already a large producer of cotton, the cultivation of which can be considerably extended should the demand increase. A gold standard in India will most probably operate to close the China market to Indian-made yarn, by stimulating production of the raw material and the establishment of manufactories in China for the supply of domestic requirements.

XI. The creation of a gold standard for the silver rupee currency is equivalent to the establishment by the Imperial Government of a bi-metallic ratio within the boundaries of the Indian Empire; while beyond, consequent upon the unwillingness of the Imperial Government to accept international bi-metallism, the rupee is merely silver bullion. This seems to be an admission by the Imperial Government, but confined to India only, of the bi-metallic principle.

XII. It is to be noted that the Indian producer asks and receives no more for his yarn than 22,000 silver rupees, that is, 7,562½ ounces of silver; and that can be made the cost to consumer, equally, by international extension of the bi-metallic principle involved in creating a gold standard for a nation having its currency in silver.

XIII. From the foregoing paragraphs it has, the Local Committee believe, been made abundantly clear that the trade between India and China will be greatly disturbed in the event of a gold standard being adopted in India, solely on account of the relative effect such a radical change on the currency would have on exchange between the two places. It is equally certain that all other places further east than India would suffer in like manner in any exchange transactions between such places and India; while the effect generally on the value of silver and on the exchange between China and countries with a gold standard, in the event of silver being practically demonetised in India, is too apparent to require any further remark in this letter; whilst under existing circumstances the advantages, if any, would probably be entirely to the Chinese as against Europeans or European capital invested in China.

XIV. Generally, the Local Committee believe that any exclusive action in relation to Indian Finance, such as that supposed to be in contemplation, must affect most injuriously the trade which has been built up in China, more especially in connection with Great Britain. Already the disturbance which has resulted from want of combined action, and as a consequence of spasmodic speculation, in connection with the precious metals, has seriously discredited China trade. The tendency of late has been to withdraw funds from the Far East, on account of the depreciation of the relative value of the local currency. Business is consequently hampered; and the ever-wideniag difference between the cost of production of fabrics such as, for instance, those manufactured in Lancashire and Yorkshire, and the price required in silver to meet that cost, threatens to make such trade impossible.

XV. The effect of a marked further depreciation in the value of silver, such as must inevitably follow upon Imperial legislation favourable to India alone, will be seriously detrimental to the export trade to the Far East in cotton and woollen fabrics, among other merchandise; and it deserves earnest consideration. For the reasons here given, therefore, the Local Committee request the China Association to take such action as may seem to them expedient and prudent for the protection of British mercantile interests in the Far East, which at present are greatly imperilled.

We are, &c.
JOHN MACGREGOR, Chairman,
R. M. CAMPBELL,
CHARLES DOWDALL,
C. J. DUDGEON,
J. W. HARDING,
E. B. SKOTTOWE,
W. H. TALBOT, Hon. Secretary,
Forming the Committee of the China Association in Shanghai.

R. S. Gundry, Esq.

The SECRETARY OF THE TREASURY to the SECRETARY OF THE INDIAN CURRENCY COMMITTEE.

Treasury Chambers,
SIR, 11th May 1893.

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you, for communication to the Committee now sitting to consider the question of the currency of India, the accompanying copy of correspondence respecting the silver currency of the East, which has been furnished to their Lordships by the Secretary of State for the Colonies.

I am, &c.
R. E. WELBY.

Enclosures.

No. 1.

The UNDER SECRETARY OF STATE FOR THE COLONIES to the SECRETARY TO THE TREASURY.

Downing Street,
SIR, 3rd May 1893.

I AM directed by the Secretary of State for the Colonies to transmit to you, to be laid before the Lords Commissioners of the Treasury, with reference to the letter from this Department of the 9th of March last, the enclosed papers, on the subject of silver currency in the East.

I am, &c.
R. H. MEADE.

Enclosure in No. 1.

The GOVERNOR of HONG KONG to the SECRETARY OF STATE FOR THE COLONIES, 20th March 1893.

MY LORD MARQUESS,

I HAVE the honour to transmit and recommend for your Lordship's favourable consideration the enclosed copy of a letter from the Hong Kong Chamber of Commerce, on the subject of the reported proposal to alter the currency of India or to restrict the free coinage of silver by the Indian mints.

I have, &c.
WILLIAM ROBINSON.

Enclosure in above.

The HONG KONG CHAMBER OF COMMERCE to the COLONIAL SECRETARY.

Hong Kong General Chamber of Commerce,
SIR, 17th March 1893.

MY Committee desires to bring to the notice of his Excellency the Governor the question herein-after referred to, which they consider has a material bearing on the commercial interests of the Colony, and I therefore beg that you will be good enough to place this letter before his Excellency.

The Government of India is reported, as is no doubt within the knowledge of his Excellency, to have for some time past had it in contemplation either to alter the standard of the currency or to restrict the free coinage of silver by the Indian mints.

The possible issues involved in either proposal are of the gravest importance to the trade of this Colony, the exchange of commodities between Hong Kong and India being of considerable magnitude; and any sudden

alteration of the Indian currency could hardly fail to be detrimental to the reciprocal commerce of both.

The almost insurmountable difficulties that attend the alteration of a country's currency, and the need of hesitating before taking action, perhaps cannot be better illustrated than by reference to the fact that, of all the many conferences (composed in a great measure of men who may be considered experts) which have met to consider the present position of silver, none have, so far, suggested any remedy that has at all met with general approval.

My Committee earnestly beg that his Excellency will be pleased to press upon the authorities at home the necessity of fully considering the interests of this Colony in any measures that may be proposed with regard to India; and I beg leave to enclose, for his Excellency's information, a copy of a resolution passed lately by the Singapore Chamber of Commerce to the same end.

I have, &c.
F. HENDERSON,
Secretary.

Sub-Enclosure.

RESOLUTION passed at SINGAPORE CHAMBER OF COMMERCE, 26th January 1893.

1. That, in view of the possibility of action being taken by the Indian Government to alter the standard of currency, or restrict the free coinage of silver, this Chamber strongly urges the Government to press upon the Home authorities the necessity for full consideration of the interests of the Colony.

2. And that, as it is doubtful whether any change in its currency will be to the advantage of the Colony, no final decision affecting the existing currency be arrived at, without previous communication with, and consent of, the Legislative Council.

No. 2.

The SECRETARY OF STATE FOR THE COLONIES to the GOVERNOR OF HONG KONG.

Downing Street,
SIR, 3rd May 1893.

I HAVE the honour to acknowledge the receipt of your Despatch, No. 70, of the 20th of March last, forwarding a copy of a letter from the Hong Kong Chamber of Commerce, on the subject of the silver currency question, and I request that the Chamber may be informed that their wishes will be borne in mind when the Committee, which is now inquiring into the question of the Indian currency, has made its report, and when its recommendations are being taken into consideration.

I am, &c.
RIPON.

MEMORANDUM ON THE CURRENCY OF JAPAN.

The real currency of Japan, before the admission of foreigners into the country, consisted of a gold coin called kobang, supposed to weigh about 200 grains, and a silver coin, called boo or ichibu, weighing about 140 grains. The ichibu was reckoned worth one-fourth of the kobang; but, on discovering their mistake, the Japanese altered the valuation, reducing the kobang to about one-fourth of its former value. Since 1871, the legal money has been the yen of 100 sen; the basis of the new monetary system was to be the Mexican dollar, whose equivalent, the silver yen, weighed 416 grains troy (26·9563 grammes), 900 fine; but, as at the same time gold yens were coined of 900 fineness, containing 1½ grammes of fine gold, the Double Valuation was established in Japan with a proportion of gold to silver as 1 to 16·173818. As this relation gave to gold a higher value than its market value for the time being, the Government found it more advantageous to coin gold, and in 1872 ceased to coin silver. The gold 20-yen piece weighs 33⅓ grammes, 900 fine, *i.e.*, 30 grammes fine. Since 1872 gold has considerably risen in its value towards silver; in consequence gold yens have been largely exported to Europe and the actual standard of Japan is now the silver valuation.

In 1875, the Japanese Government resumed the coinage of silver, issuing a trade dollar weighing 420 grains troy, the exact equivalent of the American trade dollar; and in 1878 they declared it legal tender, reducing the charge for coinage to 3 per cent. The Mexican dollar, weighing only about 416 grains, continued, however, to circulate on a par with the Japanese trade dollar. In 1879 the Japanese silver yen, of 416 grains, was made legal tender to be received and paid on a par with the Mexican dollar; and it is the present monetary unit, having virtually supplanted the Mexican dollar.

Trade is to a considerable extent carried on in an inconvertible Government paper money, styled kinatsu; the paper yens at present circulate at par. The course of exchange on London, Paris, and New York seems to vary with the price of silver.

The following is the weekly statement of the Japanese Treasury, from the Official Gazette for 25th March 1893:—

Reserves and Securities.			Convertible Notes.	
	Yen.	Yen.		Yen.
Gold coin and bullion -	21,806,200		Amount in hand - - - -	14,448,887
Silver „ „ -	63,793,979		Amount kept in Central Treasury for redemption of paper money - -	14,000,000
		85,600,179	Amount in circulation - - -	98,841,655
Government bonds -	10,630,000			
Exchangeable bills -	—			
Government deeds -	22,000,000			
Deeds - - -	—			
Commercial notes -	9,696,363			
		41,690,363*		
Total - -	- - -	127,290,542		127,290,542
			Amount in circulation on the 18th instant	98,841,655
			„ „ 11th „	100,039,606
			Decrease - - -	1,197,951

* *Sic.*

SINGAPORE.

THE SECRETARY OF THE TREASURY to the SECRETARY OF THE CURRENCY COMMITTEE, received 17th March 1893.

SIR,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you, for communication to the Committee now sitting to consider the question of the currency of India, the accompanying copy of correspondence respecting the silver currency of the Straits Settlements, which has been furnished to their Lordships by the Secretary of State for the Colonies.

I am, &c.
FRANK MOWATT.

Enclosures.

No. 1.

The GOVERNOR OF THE STRAITS SETTLEMENTS to the SECRETARY OF STATE FOR THE COLONIES.

Singapore,
MY LORD, 31st January 1893.

I HAVE the honour to transmit to your Lordship the enclosed copy of a letter from the Chamber of Commerce, Singapore, on the subject of the silver currency of this Colony, which is likely to be affected by any alteration in the currency of India.

I need do no more at the present time than specially request that the interests of this Colony may not in so grave a matter be overlooked.

I have, &c.
CECIL C. SMITH.

Enclosure in No. 1.

The SECRETARY TO THE CHAMBER OF COMMERCE at Singapore, to the COLONIAL SECRETARY.

Chamber of Commerce, Singapore,
SIR, 28th January 1893.

AT the annual meeting of the Chamber, held at noon on 26th instant, at which there were present 25 *members, representing the various mercantile interests of the place, the following* Resolution was adopted, *with two dissentients*:—

(1.) That, in view of the possibility of action being taken by the Indian Government to alter the standard of currency or restrict the free coinage of silver, this Chamber strongly urges the Government to press upon the Home authorities the necessity for full consideration of the interests of the Colony.

(2.) And that, as it is doubtful whether any change in its currency will be to the advantage of the Colony, no final decision affecting the existing currency be arrived at without previous communication with and consent of the Legislative Council.

I enclose three copies of the shorthand report of the discussion, and I am to request that you will be so good as to lay the matter before his Excellency the Governor, with a view of his bringing the whole subject to the notice of the Colonial Office by the earliest opportunity.

I have, &c.
ALEX J. GUNN,
Secretary.

No. 2.

The SECRETARY OF STATE FOR THE COLONIES to the GOVERNOR OF THE STRAITS SETTLEMENTS.

Downing Street,
SIR, 9th March 1893.

I HAVE the honour to acknowledge the receipt of your Despatch, No. 27, of the 31st of January last, forwarding a copy of a letter from the Singapore Chamber of Commerce on the subject of the silver currency question; and I request that the Chamber may be informed that their wishes in this matter will be borne in mind, when the Committee which is now inquiring into the question of the Indian currency has made its report, and the recommendations are being taken into consideration.

I have, &c.
RIPON.

FRANCE.

CURRENCY in FRANCE.

NOTE by Sir CHARLES FREMANTLE.

I am not aware of any authoritative estimate of the amount of the metallic currency in France.

In the Report, to the President of the Republic, of the Currency Commission for 1888 ("Bulletin de Statisque," tom. 25, page 292), it is assumed that *twenty-franc pieces* of the value of three milliards (or 120,000,000*l.*) are in active circulation, no account being taken in this estimate of the coin in store at the Bank of France.

The Commission does not attempt, however, to estimate the *total* gold and silver currency, and it is pointed out that "la statistique manque d'une base "certaine pour chiffrer la circulation des monnaies "d'or."

It is well known that coins of other countries of the Latin Union, and of Russia, Spain, Austria, &c., circulate in France, and these must greatly complicate the question. On the occasion of the last inquiry into the composition of the currency, in April 1891 (see "Bulletin de Statistique," tom. 30, page 121), these foreign coins formed 11·44 per cent. of the gold currency, and 30·82 per cent. of the five-franc silver currency.

The same inquiry points to the conclusion that 70 per cent. of the metallic currency is gold, and 30 per cent. silver.

Tables are given in tom. 32 of the "Bulletin" (see pages 28-30), from which it appears that the total coinages from 1795 to the end of 1891 were 8,826,948,250 francs in gold and 5,534,675,124·35 francs in silver (five francs and subsidiary coins). After deducting trifling amounts withdrawn in recent years, the following sums are referred to as "Reste en monnaies ayant cours":—

	Francs.
Gold - - -	8,722,866,970
Silver - - -	5,312,508,820·10
	14,035,375,790·10

If the estimate given by the Credit Lyonnais of the total gold coin in hand (171,000,000*l.*) be adopted, and if, as the last census indicates, the gold coins constitute 70 per cent. of the entire currency, it follows that the value of the silver coins does not exceed ($\frac{30}{70}$ × 171,000,000, or) 73,000,000*l.*

If the Commission are to be trusted in their estimate of 120,000,000*l.* as the twenty-franc pieces in active circulation, the statement of the *total* gold currency given by the Credit Lyonnais cannot be regarded as erring on the side of excess.

C. W. FREMANTLE.

21st April 1893.

CONVERTIBILITY of the NOTES of the BANK OF FRANCE.

EXTRACT of a LETTER from Sir CHARLES FREMANTLE to Sir THOMAS FARRER, 27th March 1893.

As regards the obligation of the Bank of France to give coin for its notes, I send a copy of a reply which I have had on the subject from Paris, and on the correctness of which you may rely.

"La loi qui a établi la Banque de France lui a conféré le privilège exclusif de l'émission de billets, mais à la condition qu'ils seraient payables à vue en numéraire (or ou argent).

"La loi de 12 Août 1870 contient les dispositions suivantes:—

"'Art. 1. A partir du jour de la promulgation de la présente loi, les billets de la Banque de France seront reçus comme *monnaie légale* par les caisses publiques et par les particuliers.

"'Art. 2. Jusqu'à nouvel ordre, la Banque est dispensée de l'obligation de rembourser ses billets avec des espèces.'

"Dans la loi portant fixation du budget général de Recettes et des Dépenses de l'Exercice 1876 (3 Août 1875) on trouve:—

"'Art. 28. Lorsque les avances faites à l'Etat par la Banque de France, en vertu des lois 20 Juin 1871 et 5 Août 1874, auront été réduites à 300 millions de francs, l'Art. 2 de la loi du 12 Août 1870 sera et demeurera abrogé, et les billets de la Banque de France seront remboursables en espèces et à présentation.'

"De ce qui précède, il résulte que les billets de la Banque de France sont reçus comme monnaie légale en vertu de l'Article 1 de la loi du 12 Août 1870, mais qu'à même temps la Banque *est tenue de les rembourser en espèces à présentation à Paris et dans les succursales.* Par espèces il faut entendre l'or et les pieces de 5 fr. argent."

HOLLAND.

LETTER from Monsieur PIERSON to Sir T. FARRER, dated 12th October 1892.

You will find all about our currency in Fremantle's Reports. They are correct and exhaustive.

Since 1875, the mint has been permanently—since 1872 almost entirely—closed for the coinage of silver. By the Act of 6th June 1875 only the coinage of gold is permitted on the basis of 6·048 gram fine = fl. 10.

By the Act of 27th April 1884 our Minister of Finance is directed (or rather empowered) to sell silver, to the amount of fl. 25,000,000, in case of redundancy. But the necessity for availing himself of this permission has never arisen.

There is one peculiarity, not in our system, but in its application, which explains why till now it has worked well. In France the Bank supplies gold freely for the internal circulation, but not for exportation. Our Bank does quite the opposite. Whenever the rates of exchange rise above par (fall, you would say, below par), gold is given (and no premium exacted), as much as is wanted. But for the internal circulation gold is not freely given, only small amounts; for that purpose silver and notes (we have fl. 10 and f. 25 notes) serve just as well.

That is a great point, not to be left out of consideration. When President of the Bank, I laid great stress on it. Foreign bankers knew that gold, in such cases, would be always obtainable.

I may add that our system is the same for Holland and all its colonies. There is only one mint, however, —at Utrecht.

I am rather pressed with legislative business, else I would write more circumstantially. But, by the aid of Fremantle's reports, you will easily understand what I have written.

EXTRACTS from the REPORTS of the DEPUTY MASTER OF THE MINT.

VALUE of COINAGE of GOLD and SILVER at the UTRECHT MINT.

Years.	Gold.		Silver subsidiary Coinage.				Total Value.
	10-florin Pieces.	Ducats, 5·75 Florins.	10 Cents.	5 Cents.	Quarter Florins, 25 and 20 Cents.	One-tent Florins.	
	£	£	£	£			
1879	484,197	9,633	8,333	833	—	—	502,996
1880	41,750	12,157	8,333	—	—	—	62,240
1881	—	—	16,666	—	—	—	16,666
1882	—	—	16,666	—	45,833	62,500	124,999
1883	—	—	—	—	16,666	—	16,666
1884	—	—	8,333	—	—	29,583	37,916
1885	55,912	38,911	16,666	—	36,458	6,875	154,822
1886	44,666	—	—	—	—	—	44,666
1887	33,665	—	13,216	413	2,065 *25 cents.*	—	49,359
1888	29,395	—	—	—	—	—	29,395
1889	169,306	—	13,128	—	4,130 *25 cents.*	—	186,564
1890	—	—	8,260	—	23,542 3,304 *20 cents.*	—	35,106
1891	—	—	8,260	—	17,760 8,260 *25 cents.*	41,302	75,582

1879.

There has been no change during the past year in the position of the monetary question in Holland or its colonies; and, in consequence of the continued suspension of the coinage of standard silver pieces, the amount of coin issued from the mint at Utrecht has been very small.

1880.

The coinage of gold at the Utrecht Mint during the year 1880 has been unimportant, and that of silver has been confined to a small amount of subsidiary pieces, the law of 1877, which suspends the coinage of standard silver pieces, being still in force.

1881.

There was no coinage of gold during the year at the Utrecht Mint, a considerable amount of coined gold having on the other hand been exported from the country. Nor has any change been made in the arrangements under which the coinage of standard silver pieces has been suspended since 1875.

1882.

There was again no coinage of gold during the year at the Utrecht Mint, and, the coinage of standard silver pieces having been entirely suspended by the law of 1877, the only coins struck were those of the subsidiary silver and bronze currencies. It should be mentioned that the pieces representing the quarter and tenth of a florin are current in the Dutch Asiatic Colonies, while the 10-cent. pieces are for home circulation in the Netherlands.

In reference to the monetary question in Holland an important step was taken on the 30th September last, when a report was addressed to the Minister of Finance by Messrs. Vrolits and Pierson, the Delegates of the Netherlands at the Paris Monetary Conference of 1881, recommending the conversion into bullion and sale of a part of the standard silver coin held by the Bank of Holland, and the purchase of gold ingots with the proceeds. The stock of gold in the Bank, which at the close of the year 1880 was 56,924,000 florins, had fallen in October 1882 to 11,306,638 florins, and in the middle of February 1883 was only 5,365,091 florins, while the stock of silver has varied between 91 and 94 millions of florins. The proposal for the sale of silver and the purchase of gold was made on the ground that, looking to the interests of the country in its commercial relations with neighbouring States in which gold is the standard of value, and to the necessity of maintaining a normal rate of exchange, a stock of gold must always be kept in hand, as, whenever the Bank should become unable to place gold bullion at the disposal of the exporter, the gold coins would command a premium, with the necessary result that the standard silver coins would become depreciated and the rate of exchange with London would rise to an abnormal height. The evident objection to adopting the course proposed, which would in itself be efficacious, lay in the fact that the sale of silver and purchase of gold could only be effected at a loss of about 15 per cent. to the State; but in February 1883 a Bill was introduced by the Government into the Second Chamber of the States-General, authorising the Minister of Finance to cause 2½-florin pieces of the nominal value of 25 millions of florins to be melted and the ingots to be sold. In order to meet the loss entailed by this operation, another

Bill was at the same time presented, fixing at 15 instead of 10 millions of florins the amount of Government paper money, and thus increasing by five millions the debt of the State bearing no interest. These measures have not yet been passed by the States-General, and in the meanwhile the stock of gold in the Bank of Holland had, on the 21st of April 1883, risen to more than 31,000,000 florins.

1883.

The quarter-florins were struck for circulation in the Dutch Asiatic Colonies.

This Bill passed the Second Chamber on the 4th of March last, and has since been also adopted by the First Chamber. The new law will have no immediate effect, as the stock of gold in the Bank of Holland is at present large enough to enable it to meet in gold any demand for bullion which may arise. It is only when the stock of gold at the Bank is exhausted that the law is intended to take effect, and in such an event only will the Government be authorised to melt silver coin of the value of 25 millions of florins and sell it at its market price. Since the beginning of the current year the other Bill mentioned in my last report, raising the issue of Government notes from 10 to 15 millions of florins, has also been passed by both Chambers. The object of this Bill is to meet the loss which may possibly be entailed by the measure above described, but it will not impair the monetary situation of the Netherlands, as all Government notes are redeemable at the Bank of Holland, and constitute only a very small fraction of the currency of the country.

1884.

The coins of the nominal value of one-tenth of a florin formed part of a coinage required by the Dutch Colonial Government, consisting of 437,500 florins in pieces of that denomination, and 437,500 florins in quarter-florins. The coinage of the latter has been completed since the beginning of the current year. Since 1882 the silver required for the coinage of subsidiary token pieces has been obtained, not by purchasing ingots in the London market, but by melting a sufficient number of 2½-florin pieces, the stock of the latter coins, which is considerable in comparison with that of gold coin, being in excess of the requirements of the country. The purchase of bar silver would, of course, be the more profitable operation, but might lead to the exportation of gold, which it is important to retain. In this respect the action of the Government has been in harmony with the policy recommended by Messrs. Vrolits and Pierson, the Delegates of the Netherlands at the Paris Monetary Conference of 1881, and the latter now President of the Bank of the Netherlands. The recommendations of these gentlemen were embodied in the law passed in the early part of 1884, as shown in my last report, which authorises the conversion into bullion and sale, should the necessity arise, of a portion of the stock of standard silver coin in the Bank. The Government has for the first time, during the past year, made arrangements for the withdrawal from circulation of worn silver coin of the divisional token currency, and 174,421 pieces of 25 cents, and 212,355 pieces of 10 cents, were sent to the Mint for recoinage.

1885.

All the silver pieces struck were subsidiary coins required for circulation in Holland and its Asiatic Colonies, the 10-cent pieces being current in the mother country, while the quarter-florins and one-tenth florins are Colonial coins of a different fineness. The silver used for the coinage of the 10-cent pieces consisted entirely of worn 25-cent and 10-cent pieces withdrawn from circulation, and of new standard pieces of two-and-a-half florins, which were not required for circulation and had never been issued. The Colonial coins in the same way, were struck partly from two-and-a-half florin pieces and partly from old coins withdrawn from the Dutch East Indies. The stock of standard silver coins, therefore, has undergone some diminution, although it is still out of proportion to the stock of gold. During the past year the Government has had no occasion to avail itself of the provisions of the law mentioned in my two last reports, which authorises the conversion into bullion and sale of a portion of the stock of standard silver coin in the Bank of the Netherlands, the Bank having always retained a sufficient provision of gold in ingots or in coin to make its position secure.

1886.

During the year 1886 there was, as in the preceding year, a small coinage of gold at the Utrecht Mint. Nearly the whole of the amount coined was sent by the Handelmaatschappy (or Commercial Company) of Amsterdam, to whom it belonged, to the Bank of Java in Batavia. A further gold coinage of the value of 400,000 florins has been executed for the same Company since the beginning of the current year, but no large coinage of gold is likely to be required.

1887.

A small amount of subsidiary silver coins was struck from pieces of the same kind withdrawn from circulation, from defaced florins, and from new pieces of 2½ florins. It is to be remarked that no bar silver has of late years been used for the subsidiary silver coinage of the Netherlands, the Government having in all cases obtained the metal required by withdrawing coins no longer current, and by melting a part of the stock of large silver pieces of standard fineness which still remains in their hands.

1889.

The gold coins were struck for the Bank of Java, for use in the Dutch Asiatic Colonies.

1890.

There was no coinage of gold at the Mint of the Netherlands at Utrecht during the year 1890, and the number of the subsidiary silver coins struck was inconsiderable. Of the silver coins, 200,000 consisted of 20-cent, and 1,000,000 of ten-cent pieces, a large part of which were recoined from worn pieces of the same denominations withdrawn from circulation. In the month of December last a coinage of 2,000,000 quarter-florins and 5,000,000 tenths of florins for the Dutch Asiatic Colonies was commenced at the Utrecht Mint, in accordance with a law of the 21st July authorising the issue of divisional silver pieces of the nominal value of 5,000,000 florins for those Colonies. Of the above coins 1,140,000 quarter-florins were struck before the close of the year.

1891.

No gold coinage has been executed at the Mint at Utrecht since 1889, but a silver coinage for the Dutch Asiatic Colonies was completed during the past year, and both silver and bronze subsidiary coins were struck for the home circulation.

The twenty-five and ten-cent pieces were struck from worn coins of the same denominations, withdrawn from circulation. New dies for the coinage of ten-florin pieces in gold, and of twenty-five and ten-cent pieces in silver, bearing the effigy of the young Queen of the Netherlands, have been completed; and it is proposed to issue a certain number of these coins with the new effigy in the course of the current year.

NETHERLANDS INDIA.

EXTRACT of a LETTER from M. VAN DEN BERG to Mr. MACCOLL, dated "Amsterdam," 9th November 1892, mentioned in Mr. MacColl's Evidence, Q. 1817.

With regard to the currency question, which at present is attracting more attention than ever, I hold the same opinion as twenty years ago, when I treated the matter for the first time. I am still fully convinced that every Government, whether in Europe or elsewhere, is bound to neglect no reasonable means of keeping the currency it has once enforced at the standard value. If a system has been adopted in every other civilised country which has secured uniformity to a great extent, and any Government, by refusing to conform to that system, suffers its coinage to be depreciated, then, according to my views, such a Government stands convicted of a plain neglect of duty.

This has been the case with your Indian Government, and, though I do not overlook the benefit reaped by the planters and exporters in India from the fall in exchange, resulting from the "masterly inactivity" of your rulers with regard to the currency question, it is still my intimate conviction that our Government did a good and honest piece of work in protecting the currency of Netherlands India against depreciation, by declaring gold to be its monetary standard for the future.

Instead of being wrong to-day, as seems to be your opinion, we certainly are in the right way, unless it may be a fact, as the "Statist" of Saturday last will have it understood, that "the value of silver during "the past twenty years has been far more stable than "the value of gold."

When this must be taken for granted, then certainly we are in the wrong; but then of course the whole of Europe, and England in the first place, is in the wrong, by adhering to its gold standard; and nothing better certainly can be done than to link gold and silver together by means of a bi-metallic agreement, as proposed by Mr. Balfour in his most excellent speech at Manchester a fortnight ago.

With regard to the question put in the postscript of your letter, I can inform you that all the silver shipped from Java to Holland (to an amount of F. 21,000,000 in the course of the last 12 months) is taken up by the Netherlands Bank against bank notes or book credits, and that the holders of notes or book credits can get gold from the Bank *when needed for export*. As soon as exchange is nearing the bullion point, the Bank's policy has ever been to put no restriction whatever on the export of gold; and, in this respect, our policy is much more liberal than that of nearly all the continental banks. The basis of our currency is a real gold basis, a law passed in 1884 having stipulated that, in the event of the Bank's stock of gold running short, Government is empowered to sell F. 25,000,000 of silver money in the open market, in order to protect our currency against depreciation. At the present moment our Bank keeps a stock of gold of about F. 40,000,000, besides an amount of F. 20,000,000 in foreign bills on London and Berlin, together, therefore, F. 60,000,000, against F. 84,000,000 silver.

NOTE on the present working of the GOLD STANDARD in JAVA, by MR. KENSINGTON, DEPUTY SECRETARY to the GOVERNMENT OF INDIA in the FINANCIAL DEPARTMENT.

During my recent privilege leave I spent three weeks in Java, and took the opportunity of inquiring into the working of the gold standard and its effects as regards the four main classes of the country, namely:—(1) the Government; (2) the native population; (3) the merchants; and (4) the European planters.

2. On the way to Java I read carefully the collection of papers written for the Government of India in 1886 by Mr. Van den Berg, the then President of the Java Bank. Those papers dealt with the financial and economical condition of Netherlands India during the previous 15 years, and specially with the effect of the currency system as finally organised in 1877. In addition, I had by me the book "Java, or how to manage a Colony," written by Mr. Money in 1861, and a slight sketch of the history and condition of the island, entitled "Some Notes on Java," written by Mr. H. S. Boys, late of the Indian Civil Service, after a short visit to the island in 1889. Mr. Money's book is still the standard English work on modern Java, though necessarily out of date in some important particulars, especially as regards the question of land administration. The sketch by Mr. Boys does not go into so much detail, but it substantially supports what had been said by Mr. Money nearly 30 years before regarding the great prosperity among the native population. My own time in the island was too short for an extended tour, but I visited several places in the western half of Java up to about 200 miles from Batavia, and saw much of the country and people in this section of the island. Beyond this, I had long conversations with Mr. Lavino, the Dutch Consul in Singapore; Mr. Lankester, the English Consul in Batavia; Mr. Van den Berg, a merchant in Batavia and brother of the author of the 1886 papers; Mr. Zeverijn, the present head of the Java Bank; other Dutch, English, and Italian men of business whom I met in Java; the officers of the Dutch steamers between Singapore and Batavia; and planters from Sumatra whom I came across between Penang and Singapore.

3. The general impression from all sources of information was that the trade and planting interests of Java are now in a flourishing condition, and that the level of prosperity among the cultivating classes is remarkably high. The standard of comparison which I had constantly in mind was the condition of the agricultural and labouring classes in the richer of our Punjab districts. I have no hesitation in saying that the comparison is, on the whole, distinctly favourable to Java. There are fewer rich farmers; but, on the other hand, there is more all-round prosperity. The people as a whole are better fed, better clothed, and better housed, than the corresponding classes that I have known in India. There is, comparatively speaking, little or no debt among the agriculturists, and the general air of contentment and absence of indications of squalid poverty are simply astonishing. Much of this may be attributed to favourable conditions of climate and soil, and much to the easy-going disposition of the native population; but much more, I believe, to the fact that the Dutch system of administration is in many respects better adapted than our own to the simple wants of an Eastern people. It is unnecessary to say more on this subject here than that my own observation, so far as it went, fully confirmed what has been already written by Messrs. Money and Boys regarding the thriving condition of all classes of Javanese and Malays in the island, notwithstanding a density of population almost, if not quite, as great as we have to deal with in the congested tracts of India. The important point to notice is that I could find nothing to indicate that the currency system established in 1877 has in any way prejudicially affected the people of the country. The people do not seem to be aware that any change was made. Mr. Zeverijn explained this by saying that the Dutch were fortunate in introducing a gold standard before the really serious fall in the price of silver took place. The explanation is reasonable enough. Silver prices have varied very slowly even in India, and in Java the currency question was settled before the altered conditions of 1873–77 made themselves felt by the people, and a guilder is still to them very much what it has been at any time within, say, the last 30 years; that is, since full effect was given to the measures adopted for Dutch India by the Netherlands Government after the consolidating legislation of 1854.*

4. When Mr. Van den Berg (who has now left Java on appointment as President of the Bank of Holland) wrote in 1886, the Colony was passing through a serious mercantile crisis. The two principal industries of the country—sugar and coffee—were threatened with extinction, and the general tendency of Mr. Van den Berg's remarks was to convey a warning that the difficulties of both planters and merchants were directly attributable to the introduction of a gold standard. This warning was all the more impressive, as Mr. Van den Berg had himself been one of the principal movers in support of a gold standard, and had written much more hopefully of the success of his measures in his earlier papers of 1879 and 1884. The conclusion from his 1886 paper appeared to be that he had serious doubts whether the gold standard had not, on the whole, done more harm than good to Dutch India; that, if he refrained from advocating a return to a silver standard, it was more from consideration of the difficulties attending disturbance of the monetary system of the mother country than from regard to the true interests of the Java community; and that, at any rate, he strongly recommended any Eastern Government which had stuck to its silver standard to hold fast and brave out the difficulties of a falling exchange. So far as I am aware, information regarding Java in India has not advanced beyond the stage at which Mr. Van den Berg wrote in 1886; and it has been tacitly assumed by currency correspondents in the Press of India, when referring to the experience of Java, that Mr. Van den Berg's somewhat gloomy anticipations have been necessarily fulfilled, and that, in short, the country has been going from bad to worse. I took special pains to ascertain how far this was the case, and arrived at the conclusion that the situation has been since again entirely changed. Mr. Lankester, Mr. Van den Berg's brother, and Mr. Zeverijn, alike assured me that the crisis of 1884–86 has been quite got over; that both the sugar and coffee industries have recovered; and that it is a mistake to suppose that the difficulties of 1884–86 were primarily or even largely due to currency legislation. Mr. Zeverijn's words were: "When we read what reply "had been sent to the Government of India in 1886, we "said to ourselves, 'Van den Berg is playing with "fire.'" By the "we" in this I understood him to refer to the authorities in Holland, where Mr. Zeverijn was at the time living, and, judging by results, the Home Government appears to have been right and Mr. Van den Berg wrong. The circumstances of Java trade in 1886 are briefly stated in Mr. P. F. Tidman's evidence of the 18th February 1887 before

* Pages 40 and 41 of Mr. Van den Berg's 1886 pamphlet.

the Royal Commission on Gold and Silver, Questions 2900 to 2914 (especially Question 2912) of the First Report. There had been up to 1886 a series of bad years and calamities of a nature to account for general depression, and in addition the sugar industry, the most important of all in the island, had been for the time almost destroyed by competition with bounty-fed beetroot sugar grown elsewhere. The trade of Java is at the best of times largely dependent on a very few principal items of export, and in a country so situated the sudden annihilation of the chief among these naturally reacted on the trade of the Colony as a whole. The severity of the crisis through which Java was then passing was not exaggerated by Mr. Van den Berg; but he seems to have been misled into attributing mainly to the permanent condition of the currency what was really due to a number of causes, some of them more or less accidental.

5. The Dutch planters, men of great resource, and with large capital at their backs, set themselves heartily to face the 1886 situation, re-organised their whole system of sugar planting and manufacture, cut down the expenses of manufacture from about 11 to 7 guilders a picul, and have now largely recovered from their temporary difficulties. Mr. Lankester distinctly stated that the difficulties are now, looking back to the crisis, recognised as having been due to wasteful processes and inefficient management, and not to the system of currency. The planters have learnt wisdom, and have firmly re-established their business on a footing which enables them to cope with variations in price elsewhere caused by decline in the value of silver, and, what is more important to them, to defy competition with beetroot sugar. Mr. Lankester, indeed, went further, and said that the change had actually benefited the native population engaged on the sugar estates. In order to assist in cutting down the cost of sugar manufacture, they have been compelled to work harder, and have acquired habits of industry which a Malay or semi-Malay population is always slow to learn; so that their own prosperity has increased, while they have at the same time aided in restoring the fortunes of the planters and merchants. I did not myself see the sugar estates, which lie in the north and east of the island; but I came across a member of a large Scotch engineering firm (Messrs. Watson, Laidlaw, & Co., of Glasgow), who had been travelling for some months in the sugar country, pushing his business in the supply of machinery to the factories. This firm supplies machinery for "sugar fabrieks" in all parts of the world, and one member of the firm is always travelling to supervise the working of the machines and establish new connections. Their business in Java is not yet fully developed; but this gentleman informed me that he was much impressed with the suitability of Java as a sugar-producing country, with the prosperity of the business even under existing conditions, when, for want of local mechanical skill, the machines are not worked up to anything like their true capacity, and generally with the flourishing condition of all that he had seen of the estates. This information was to the point, as bearing out what the Batavia authorities had previously said to me on the subject.

6. So far as I could make out, the revival of the sugar industry has been followed by a revival of trade generally in Java. The information on this point was not so precise; but I was struck with the change, coming from Singapore, where (as in India) everyone was complaining of dull trade, breaking firms, and the turning of business into mere speculation, to Batavia, where business of all kinds appeared to be going on steadily in even grooves. Mr. Lankester, the head of the English mercantile community in Batavia, spoke well of the prospects of the place, and laid stress on the immense advantage of a stable currency. M. Zeverijn said the same. He declared that, with the experience of the Straits Settlements and British India before them, the silver party in Java was now absolutely silenced, and that he himself would never remain in the country if the gold standard should be given up. Both these gentlemen turned up the report of the Java Bank for 1891–92, and pointed significantly to a table contained in Appendix J. showing the course of exchange monthly between Batavia, Holland, England, and Singapore, and again between London and Singapore and Calcutta. The variation between Batavia and Holland during the year was from 99¾ to 100⅜, and in only two months was there a greater variation than ½ per cent. Similarly, the exchange on England varied only from 12 to 12 · 07½ guilders to the 1*l.*, while the variation on Singapore was from 1 · 80 to 2 · 05½ guilders to the dollar, and between Calcutta and London from 1*s.* 3 3/32*d.* to 1*s.* 5⅝*d.* to the rupee. The figures quoted are for bills in some cases at sight, in others at four months, and in others at six, but this difference in form does not affect the conclusion. Whether the total volume of the Java trade is large or small with reference to the size of the country is a matter on which I did not obtain any statistics; but there could be little doubt that the greater security attending business transactions was thoroughly appreciated, and that the Batavia people themselves are well satisfied with the way things are going. As regards the sugar trade especially, M. Zeverijn informed me that it would have been impossible for merchants and banks to conduct the business at all on present lines, if they had been exposed to the risk involved in fluctuations in the price of silver. This was explained by saying that much of the business depends on advances made months before the crop comes into the market. With a stable currency the financing agencies are able to control the exports and distribute the shipments of sugar evenly over a considerable period of the year, thereby avoiding a glut in the market and difficulties with the shipping trade, as well as the additional expense involved to themselves or the planters in insurance against exchange risks.

7. As regards the practical working of the gold standard in Java, it is interesting to find how little gold is either employed or demanded. Appendix G. of the bank report for 1891–92 gives the details of cash in the bank on 31st March 1892, including the head office at Batavia, branches in five principal towns of Java, one each in Sumatra and Celebes, and a small branch in Amsterdam. The total cash accounted for amounts to 6,754,477*l.*, divided as follows:—

	£	
Notes -	3,608,898	These are the amounts
Silver -	2,773,050	expressed in sterling converted at the common rate of 12 guilders to 1*l.*
Gold - -	372,422	
Other money -	107	

The total gold stock in hand represents 5½ per cent. only of the whole, and this is lodged almost entirely in the head office at Batavia, which accounts for 82 per cent. of the gold as against only 60 per cent. of the total cash. I understood from Mr. Zeverijn that the gold in Batavia is practically lying idle, and that it was either contemplated or had been recently arranged to remit three-fourths of it back to Holland. I am not sure that I correctly understood M. Zeverijn on this point, and possibly he was referring to some transaction already carried out before 1891–92; but it is clear that gold is used rarely under any circumstances, and practically never in the interior of the island. M. Zeverijn mentioned that, when travelling in the interior last year, he had tendered gold pieces (ten guilders each) in payment of a charge for Government post horses, and that the coins were actually refused. From curiosity I obtained a few gold pieces to try the result. I found that they were accepted at railway stations without demur; that they were accepted, but with exclamations of astonishment, at a Dutch shop in the principal street of Batavia; and that they were altogether declined at a native shop in a bazaar at Garoet, 200 miles up country, though a Java bank-note for ten guilders was at once taken without question. There seems no doubt that the great mass of the people neither know nor feel the existence of the gold standard in any way.

8. The silver coins used by the people are the rix-dollar of 2½ guilders, the guilder, and half guilder, and 25 and 10 cent pieces. The unit is the guilder valued at 1*s.* 8*d.*, weighing ten grammes 0 · 945 fine, or 9 · 45 grammes silver fine, as against 10 · 692 grammes in our Indian rupee. The whole of these silver coins are minted in Holland, but only the rix-dollar, guilder, and half guilder are standard Dutch coins, the smaller pieces of 25 and 10 cents being minted especially for Netherlands India, and marked in the native characters as well as in Dutch. Java bank-notes pass freely everywhere, and there is the ordinary copper coinage for small payments, the only copper coins I saw being of 2½ cents and 1 cent, though there may possibly be others current. The prices of European goods are rather high, though not perceptibly higher than the corresponding prices in the Straits Settlements converted into sterling at current rates of exchange. Java guilders are accepted by banks and native money-changers in Singapore at the rate of 12¼ to 12½ guilders to the 1*l.* for small sums. For larger transactions a better rate would no doubt be given. Banks in Java

usually allow 12 guilders to the 1*l.* for small sums, independently of petty variations in the quoted rates of exchange.

9. The conclusion appears to be that the gold standard works well in Java as regards the trade and the people of the country. It has also, on the whole, proved beneficial to the planters, especially to those who avoid speculative crops. The Government is not so prosperous, and, though there is difficulty in getting at the actual figures for recent years, I understand that annual deficits are still common in Netherlands India as a whole. This is, however, attributed not to the currency settlement, but to the continued drain of military expenditure, especially in Achin. There is much to admire in the successful administration of the country; and, though unfavourable criticism of the Dutch Government is still common enough among the English of Singapore, and among certain classes of the Dutch residents in Java, it is doubtful whether the stock charges of oppression, overtaxation, and corruption, really rest upon solid grounds.

If they did, it would be difficult to account for the general prosperity and obvious contentment of both Europeans and natives. The origin of some of the more serious charges against the Government is well known, and statements of the kind may well be accepted with great reserve.

10. In discussing the possibility of a gold standard in India, many writers have suggested that the country would run a serious risk of being flooded with spurious silver coinage as soon as the rupee acquired an artificially high value. It has been repeatedly shown that this danger is imaginary, or at any rate that the risk is not serious. The experience of Java is interesting as showing that the latter is the correct view. With a silver currency there, based on a ratio of 15·625 to 1, spurious coinage seems to be unknown. In Singapore, on the other hand, where the standard coin is the Mexican silver dollar, varying in value with the market price of silver, bad dollars and the necessity for ringing every coin are a frequent trouble to travellers. This is a good illustration in support of the view that a strong and well-organised government finds comparatively little difficulty in detecting and dealing with false coiners, however great the temptation may be to the latter.

A. KENSINGTON.

21st September 1892.

TABLE mentioned in paragraph 6 of Mr. KENSINGTON'S REPORT, APPENDIX J.
SURVEY of the COURSE of EXCHANGE at

	Batavia.						Singapore on London.	Calcutta on London.
	On the Netherlands.		On England.		On Singapore.			
——	Bank Bills.	Private Bills.	Bank Bills.	Private Bills.	Bank Bills.			
	100 florins Indian Currency = florins of Netherlands Currency.		£1 = florins of Indian Currency.		1 dollar = florins of Indian Currency.		Mexican dollar = shillings and pence sterling.	Rupee = shillings and pence sterling.
1891.	*f.* to *f.*	*f.* to *f.*	*f.* to *f.*	*f.* to *f.*	*f.* to *f.*		*s. d.* to *s. d.*	*s. d.* to *s. d.*
April	100 to —	100⅛ to 101	12· to —	11·85 to 11·92½	1·93½ to 1·98½		3 2¼ to 3 2¾	1 5 to 1 5¼
May	99¾ „ 100	100⅛ „ 101	12· „ 12·05	11·85 „ 11·97½	1·94½ „ 1·97		3 2⅝ „ 3 3	1 4²⁹⁄₃₂ „ 1 5⁵⁄₁₆
June	99¾ „ —	100⅛ „ 100¾	12·05 „ —	11·90 „ 11·97½	1·96 „ 2·03½		3 2¼ „ 3 3⅜	1 4²⁹⁄₃₂ „ 1 5⅛
July	99¾ „ 100	100⅝ „ 100⅞	12·05 „ —	11·87½ „ 11·97½	2·02 „ 2·05½		3 3⅝ „ 3 3¾	1 5³⁷⁄₃₂ „ 1 5⁹⁄₁₆
August	99¾ „ 100	100¾ „ 101	12·05 „ —	11·87½ „ 11·97½	2· „ 2·02½		3 3¼ „ 3 3⅜	1 5¹¹⁄₃₂ „ 1 5⅝
September	99¾ „ 100½	100¾ „ 101¼	12·02½ „ 12·05	11·87½ „ 11·97½	1·97 „ 1·99⅛		3 2¾ „ 3 3¼	1 5⁵⁄₃₂ „ 1 5¹¹⁄₃₂
October	100 „ 100⅜	100¾ „ 101⅜	12· „ 12·02½	11·87½ „ 11·95	1·95 „ 1·99		3 2⅝ „ 3 3⅝	1 4³¹⁄₃₂ „ 1 5⅛
November	99¾ „ 100	100⅝ „ 101	12·02½ „ —	11·87½ „ 11·97½	1·93 „ 1·95		3 1⅝ „ 3 2	1 4¾ „ 1 4³¹⁄₃₂
December	99¾ „ 100	100¾ „ 101	12·02½ „ —	11·87½ „ 11·97½	1·92 „ 1·92½		3 1⅜ „ 3 1⅝	1 4²³⁄₃₂ „ 1 4¹³⁄₁₆
1892.								
January	99¾ „ 100	100¾ „ 101	12·02½ „ 12·05	11·87½ „ 11·97½	1·87 „ 1·92½		3 0½ „ 3 0¾	1 4¼ „ 1 4⅜
February	99¾ „ 100	100¾ „ 101	12·05 „ —	11·90 „ 12·	1·83¾ „ 1·84½		3 0 „ —	1 3²³⁄₃₂ „ 1 4⅜
March	99¾ „ 100	100⅝ „ 101	12·05 „ 12·07½	11·90 „ 12·	1·80 „ 1·84		2 11⅛ „ 2 11⅞	1 3³⁄₃₂ „ 1 4³⁄₃₂

TABLE mentioned in paragraph 7 of Mr. KENSINGTON'S REPORT, APPENDIX G.
JAVA BANK. CASH ACCOUNT on 31st March 1892.

——	Bank Bills.	Gold.	Silver.	Small Change.	Total.
	f.	*f.*	*f.*	*f.*	*f.*
Batavia	27,013,995	3,666,660	17,910,438·50	267·18	48,591,360·68
Samarang	6,606,055	384,550	6,078,705	43·86	13,069,353·86
Soerabaia	4,769,520	387,260	2,108,170	3·01	7,264,953·01
Padang	1,462,000	10,160	861,940	13·42	2,334,113·42
Maccassar	1,761,640	10	1,631,443·50	65·58	3,393,159·08
Cheribon	874,185	9,240	2,095,545	1·04	2,978.971·04
Soerakarta	220,600	2,250	702,213	861·57	925,924·57
Djocjacarta	557,350	8,940	952,391·50	29·50	1,518,711
Amsterdam	41,425	—	935,755	1·02	977,181·02
	43,306,770	4,469,070	33,276,601·50	1,286·18	81,053,727·68

RUSSIA.

COMPARISON of VALUES of RUSSIAN PAPER and METALLIC SILVER ROUBLE, by MAJOR LAW.

The questions of exchange and currency are complicated in Russia by the fact that there are no less than four different standards of value, all of which are to be met with in the consideration of questions relating to public and general finance. There is the gold rouble, the metallic silver rouble, and the bank-note rouble, which is commonly spoken of as the "silver" rouble, because when introduced it was convertible into metallic silver coinage. The value of the gold rouble is 37·97 pence, the values of the metallic silver rouble

and of the paper rouble continually fluctuate, and the paper rouble, besides its actual and daily varing exchange value, has an arbitrary value, fixed periodically for the purpose of Government accounting.

Since the complete disappearance of both gold and silver coinage as circulating mediums, gold has become the real standard of value in Russia, through the influence of the very large exchange operations, in connection with the payment of interest on foreign loans, and the settlement of exportation and importation accounts. The fluctuations of the gold values of both paper and silver have been very great, the paper depending on the credit of the country and other circumstances affecting the rate of exchange, whilst the silver has been influenced also by the steady depreciation of that metal as compared with gold. Before the Russo-Turkish war the pound sterling was worth about seven roubles and thirty copecks (paper); in the spring of 1888 the exchange reached twelve roubles to the pound, and it is now about nine roubles and sixty copecks. The silver rouble, some ten years ago, was worth about one rouble and forty, in paper; it is to-day worth only one rouble and six copecks.

The really curious and anomalous result of the depreciation of silver, to the value above quoted, is, that it is now worth something less than the paper which nominally represents it, but with which it is inconvertible. The calculation is as follows:—The metallic silver rouble is ·900 fine, and its weight is 20 grammes, or 308·647 grains. Taking the price of silver to be to-day 38 pence per ounce, the intrinsic value of the coin is 23·774 pence, whilst, at the present exchange of 9·60 to the pound sterling, the paper rouble is worth 25 pence, thus showing a difference in favour of the paper note of near 1¼ pence.

The Russian mint has recently declined to accept silver from private individuals for coinage, but formerly it used to charge six per cent. for mintage. If this very high charge for mintage were maintained, and free coinage again introduced, the cost of the silver rouble coin would be 25·1904 pence, but a very trifling fall in the price of silver would bring the cost of the coin (even allowing the high charge for mintage) below the 25 pence, which is the actual exchange value of the paper note.

E. FITZG. LAW.

24th April 1893.

SWEDEN AND NORWAY.

BANK OF SWEDEN.

Query 1.—When did Sweden adopt the gold standard, and enter the Monetary Convention with Norway and Denmark?

On the 30th May 1873 the gold standard was adopted, and on the same day the Monetary Convention was concluded with Denmark, and on the 16th October 1875 with Norway.

Query 2.—What does the Bank of Sweden hold in gold and silver, and in what proportion of gold to silver?

Metallic stock must not be less than Kr. 15,000,000, of which at least 80 per cent. gold. During 1892 the average has been Kr. 20,285,791·42, of which bars of gold and foreign gold coins Kr. 3,936,025·92, silver coins under the Convention Kr. 3,113,195·64, and other silver Kr. 24,223·87. Out of the total metallic stock silver thus represents 15·347 per cent.

Query 3.—What is the paper circulation in proportion to coined and bars?

The paper emission during the year has been on an average Kr. 40,993,709·37, and the metallic stock thus 49,485 per cent. of the paper circulation.

In addition to the above, the paper circulation of the Private Banks has amounted to Kr. 55,819,691, and thus the State Bank's metallic stock covers 20·953 per cent. of the total paper emission. By adding to the State Bank's bullion the metallic stock of the Private Banks, viz., Kr. 7,280,506·76 in gold, it will be found that the grand total of the metallic stock would cover 28·474 per cent. of the paper circulation, and the stock of gold of the Private Banks 13·043 per cent. of their paper circulation.

Query 4.—To what extent does silver represent a legal payment, and, if one should wish to buy gold from the State Bank for export, will the Bank sell it or stick to its reserve?

Silver is legal payment to the State Bank to any amount, to the Private Banks to the amount of Kr. 20.

The Bank of Sweden does not sell gold to any large amount.

Query 5.—Are they satisfied, or do they find that the gold standard answers well?

Perfectly satisfied, and fulfils expectations.

Query 6.—How are the accounts settled with Norway and Denmark, as we suppose the respective moneys circulate freely as if it were one country?

Gold coins of the three countries circulate freely and indiscriminately in all three countries, but the silver coins under the Convention are only legal payment to the respective State Banks, and by them mutually exchanged and charged in account *pro* and *con.*

Query 7.—Will Sweden be represented at the Monetary Conference, or will there be only one representative for the Scandinavian kingdoms?

At the coming Conference Sweden will be represented by the President of the "Kammarkollegium," Mr. Hans Forssell, late Minister of Finance.

Query 8.—What is the ratio between gold and silver coins?

No silver coins being struck in Norway, except by the State for small change only (*vide* replies to queries 2 and 4), no ratio is fixed, but the composition of the silver coins is as follows, viz.:—

	Fine Silver.	Copper.	Gross Weight.	Contents of Fine Silver.
	Parts.	Parts.	Grammes.	Grammes.
2-krone piece - -	80	20	15	12
1 „ „ - -	80	20	7·5	6
50-öre „ - -	60	40	5	3
25 „ „ - -	60	40	2·42	1·452
10 „ „ - -	40	60	1·45	0·58

124 20-krone pieces, or 248 10-krone pieces, are struck out of one kilogramme *fine gold.*

BANK OF NORWAY.

Query 1.—When did Norway adopt the gold standard and enter the Monetary Convention with Sweden and Denmark?

1st January 1874.

Query 2.—What does the Norges Bank hold in gold and silver, and in what proportion silver to gold?

No silver allowed. On 31st August 1892 the stock of gold was—

Kr. 38,478,880 07

Query 3.—What is the paper circulation in proportion to coin and for bars?

On the above amount of gold the Bank was entitled to issue—

Kr. 57,356,803 33

in the following manner:—

First fund—

Kr. 10,009,273

5 to 2 - - - „ 25,023,182 50

Second fund—

Kr. 2,500,000

3 to 2 - - - „ 3,750,000

Reserve funds—

Kr. 5,227,193 62

3 to 2 - - - „ 7,840,790 43

Extra fund for the purchase of gold—

Kr. 20,742,830 40

1 to 1 - - - „ 20,742,830 40

Kr. 57,356,803 33

If circulation - - „ 47,437,551 71

In hand - - - Kr. 9,919,251 62

On 1st January 1893 a new law of 23rd April 1892 will come in operation.

The Bank can then issue notes for Kr. 24,000,000 above the stock of gold.

The Bank is allowed to have up to ⅓rd of its stock of gold with agents abroad, and also Kr. 3,000,000 in the State Banks of those countries with whom Norway has a monetary convention.

What is thus deposited abroad is considered, as regards the power of issuing notes, as being in the Bank itself.

On 31st August 1892 the Bank had deposited with its foreign agents Kr. 11,880,659. 21.

Query 4.—To what extent does silver represent a legal payment, and, if one should wish to buy gold from the State Bank for export, will the Bank sell it or stick to its reserve?

Legal payment is 20 kroner in 2 and 1 krone pieces and 4 kroner in smaller coins.

There is no restriction to the liability of the Bank to pay its notes in gold, for whatever purpose soever it may be intended.

Query 5.—Are they satisfied, or do they find that the gold standard answers well?

Extremely satisfied, especially as the conversion from silver to gold was made without any loss to speak of.

Query 6.—How are the accounts settled with Sweden and Denmark, as we suppose the respective moneys circulate freely as if it were one country?

By private agreement between the three State Banks they may draw upon each other at sight for sums of Kr. 5,000 and above to the extent of Kr. 2,000,000 on each Bank, on condition that repayment must be made whenever required, and that a settlement be made once a year. No interests or charges of any kind are debited.

Query 7.—Will Norway be represented at the Monetary Conference, or will there be only one representive for the Scandinavian kingdoms?

I don't know; it is, however, likely that there will be a representative for Norway, if Sweden sends one.

UNITED STATES.

REPLIES by MR. GIFFEN to the following QUESTIONS.

1. Can persons holding silver require the Government or any National Bank to give them gold for it at the fixed rates with or without any and what premium?

Legally persons holding silver in the United States cannot require either the Government or the National Banks to give them gold for it.

The way in which the silver in circulation in the United States is kept equal to gold is, that the coinage is a monopoly, and the Government only issues the coins at the rate of 16 to 1 in gold. The Government also receives the silver at the same rate in payment of taxes and dues.

Practically little silver circulates in the United States, and it circulates as small change, so that no holder of silver is ever likely to require payment in gold.

2. Same question as to persons holding paper.

Mutatis mutandis the same answer may be given for all classes of paper in the United States, except gold certificates. There are four kinds of such government paper (or four principal kinds), amounting at the end of October 1892 to 156,200,000*l.* (excluding gold certificates):—

a. The old greenbacks, 66,400,000*l.*

b. Silver certificates (certificates of the deposit of silver plus a promise to pay in silver), 64,900,000*l.*

c. Currency certificates, 2,100,000*l.*, which are practically the old greenbacks in another form. They are only of small amount, and are not to be added to the greenbacks, if we count all the latter.

d. The new Treasury notes issued against purchases of silver, which have the same legal incidents as the old greenbacks, 22,800,000*l.* They are both promises to pay in lawful money of the United States, *i.e.*, gold or silver coins which are full legal tender.

The Government is under no obligation to pay this paper in gold, and part it is expressly obliged to pay in silver only, viz., the silver certificates.

Practically it is all kept at gold value, because (1) it is a monopoly of Government, which issues the paper only at the equivalent of gold; (2), the Government receives it freely in payment of all dues and taxes as the equivalent of gold; and (3), the Secretary of the Treasury at different times has intimated his intention to provide gold for all comers, and does in fact pay in gold to all who ask it.

In addition, there is the paper of the National Banks, which is only a small amount now (about 30,000,000*l.*). This paper is payable in greenbacks, Treasury notes, and silver certificates (query as to silver certificates), as well as gold and silver; but, as things that are equal to the same thing are equal to one another, it is payable in gold.

As to the gold certificates (24,000,000*l.*), they are certificates of deposit of gold coin, and promises to pay in gold, so that the question does not arise.

3. If not, how do persons wanting gold for export procure it, and at what price?

As a matter of fact, gold has been found lately for export by the presentation of gold certificates, which have diminished, not exactly but generally, as gold in the Treasury has diminished. I could give exact figures if required.

4. How does the Government or National Bank procure and protect its supply of gold, and on what terms does it part with gold?

The Government has most of the gold; when the National Banks hold it, they hold it mostly in the form of gold certificates. The question has not practically arisen, as the Government has always had a surplus hitherto, and the paper has not been redundant; but there is a reserve power to issue bonds with which to purchase gold, upon which the Secretary to the Treasury has intimated his intention to act if necessary. At different times since 1890 the appearance has been that what is called free gold in the Treasury would fall below danger point; that is, would become less than the amount of gold represented by gold certificates, plus 20,000,000*l.* specially provided many years ago to secure convertibility of greenbacks; but the contingency has not occurred, though it has very nearly done so. I am obliged to add, as a matter of legal opinion, that the powers of the Treasury do not seem at all clearly expressed. Americans, however, tell me that, law or no law, the powers will be acted upon, and that, law or no law, the purchase of silver will itself be stopped, if necessary.

UNITED KINGDOM.

As to the RIGHT of the PUBLIC to obtain TOKEN MONEY at the ROYAL MINT.

EXTRACT of a LETTER from Sir CHARLES FREMANTLE to Sir THOMAS FARRER.

Royal Mint, 27th March 1893.

ALTHOUGH I am not able to refer to any specific regulations which deny to the Bank of England the right of obtaining silver coin for gold, and the Act of 1816 and the present Coinage Act are silent on the point, I have no hesitation in saying that the Bank has no such right.

Some 40 years ago the Mint would only issue silver coin to the Bank under the express direction of the Treasury, a fact which indicates that the Bank could not, as a matter of course, obtain it on demand; indeed, our records mention cases in which the application of the Bank was refused.

It would obviously be against the public interest to allow to anyone the *right* to obtain any amount of token coins, as a superabundance of token coinage would lead to much inconvenience, and possibly to its depreciation. To guard against an over-issue, the Government has an arrangement with the Bank of England, the Bank of Ireland, the Scotch Banks, and Colonial Governments, under which token coins are issued through those bodies, who are in a position of responsibility, and who can best judge what amount of coin is actually required for circulation.

(*b.*)—STATISTICS.

INDIA AND THE EAST.

EXPORTS of MERCHANDISE from, and IMPORTS of MERCHANDISE into, INDIA, excluding GOVERNMENT STORES.

Years.	Average rate at which Bills on India were sold.	Exports from India.		Imports into India.		Surplus Exports.		Remarks.
		In Tens of Rupees.	Equivalent in Sterling at average rate of Exchange.	In Tens of Rupees.	Equivalent in Sterling at average rate of Exchange.	In Tens of Rupees.	Equivalent in Sterling at average rate of Exchange.	
	d. per Rupee.	Rx.	£	Rx.	£	Rx.	£	
1868-69	23·197	53,062,165	51,286,793	35,931,374	34,729,170	17,130,791	16,557,623	
1869-70	23·267	52,471,376	50,868,813	32,879,643	31,875,444	19,591,733	18,993,369	Suez Canal opened, November 1869.
1870-71	22·495	55,331,825	51,862,059	33,348,246	31,257,033	21,983,579	20,605,026	Railway connection completed between Calcutta and Bombay, and Calcutta and Lahore.
1871-72	23·126	63,185,848	60,884,830	30,810,776	29,688,750	32,375,072	31,196,080	
1872-73	22·754	55,236,295	52,368,611	30,473,069	28,891,009	24,763,226	23,477,602	Beginning of the great fall in exports of raw cotton.
1873-74	22·351	54,960,786	51,184,522	31,628,497	29,455,356	23,332,289	21,729,166	Duty on exports of wheat removed, January 1873.
1874-75	22·156	56,312,261	51,985,602	34,645,262	31,983,351	21,666,999	20,002,251	First part of Nizam's railway opened.
1875-76	21·625	58,045,405	52,301,328	37,112,668	33,440,060	20,932,737	18,861,268	Duty on imports of cotton goods reduced, August 1875.
1876-77	20·508	60,961,632	52,091,715	35,367,177	30,221,253	25,594,455	21,870,462	
1877-78	20·791	65,185,713	56,469,840	39,326,003	34,067,789	25,859,710	22,402,051	First part of Burma Railway opened
1878-79	19·794	60,893,611	50,222,006	36,566,194	30,157,969	24,327,417	20,064,037	Indus Valley Railway opened, September 1878.
1879-80	19·961	67,173,158	55,868,475	39,742,166	33,053,891	27,430,992	22,814,584	
1880-81	19·956	74,531,282	61,972,761	50,308,834	41,831,796	24,222,448	20,140,965	Rajputana Railway completed.
1881-82	19·895	81,901,960	67,893,312	46,992,084	38,954,480	34,909,876	28,938,832	General duties removed on imports, March 1882.
1882-83	19·525	83,400,865	67,850,078	50,003,041	40,679,557	33,397,824	27,170,521	
1883-84	19·536	88,121,296	71,730,735	52,703,891	42,900,967	35,417,405	28,829,768	
1884-85	19·308	83,200,528	66,934,825	53,149,311	42,758,621	30,051,217	24,176,204	
1885-86	18·254	83,827,840	63,758,058	51,811,536	39,406,991	32,016,304	24,351,067	
1886-87	17·441	83,428,660	64,261,844	58,661,462	42,629,773	29,767,198	21,632,071	Burma Railway extensions opened.
1887-88	16·898	90,471,462	63,699,449	62,384,813	43,924,107	28,086,649	19,775,342	
1888-89	16·379	96,978,171	66,183,561	66,570,318	45,431,468	30,407,853	20,752,093	Nizam's Railway completed.
1889-90	16·566	103,396,862	71,369,684	66,560,121	45,943,124	36,836,741	25,426,560	Indian Midland Railway completed.
1890-91	18·089	100,135,722	75,473,128	69,034,900	52,032,179	31,100,822	23,440,949	Bengal-Nagpur Railway completed.
1891-92	16·733	108,036,010	75,323,606	66,587,457	46,425,330	41,448,553	28,898,276	
1892-93	14·985	106,515,193	74,263,280	62,618,383	43,658,058	43,896,810	30,605,222	

IMPORTS and EXPORTS of SILVER into and from INDIA, and COINAGE of SILVER.

Years.	Imports.	Exports.	Net Imports.	New Coinage.	Old Rupees Re-coined.	Total Coinage, New and Old Re-coined.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1870–71	2,662,237	1,720,313	941,924	1,718,197	25,842	1,744,039
1871–72	8,007,525	1,487,209	6,520,316	1,690,394	18,910	1,709,304
1872–73	1,934,214	1,219,070	715,144	3,980,927	27,620	4,008,547
1873–74	4,143,726	1,647,902	2,495,824	2,370,007	30,033	2,400,040
1874–75	6,051,810	1,409,608	4,642,202	4,896,884	44,139	4,941,023
Quinquennial average	4,559,902	1,496,820	3,063,082	2,931,282	29,309	2,960,591
1875–76	3,464,341	1,908,986	1,555,355	2,550,218	32,423	2,582,641
1876–77	9,992,408	2,793,536	7,198,872	6,271,122	21,734	6,292,856
1877–78	15,776,532	1,100,197	14,676,335	16,180,326	89,483	16,269,809
1878–79	5,593,699	1,623,005	3,970,694	7,210,770	67,581	7,278,351
1879–80	9,605,001	1,735,259	7,869,742	10,256,968	84,933	10,341,901
Quinquennial average	8,886,396	1,832,197	7,054,199	8,493 881	59,231	8,553,112
1880–81	5,316,156	1,423,582	3,892,574	4,249,675	160,984	4,410,659
1881–82	6,466,389	1,087,339	5,379,050	2,186,274	738,673	2,924,947
1882–83	8,358,022	877,795	7,480,227	6,508,457	830,272	7,338,729
1883–84	7,408,506	1,003,355	6,405,151	3,663,400	534,586	4,197,986
1884–85	9,110,025	1,864,394	7,245,631	5,794,232	252,396	6,046,628
Quinquennial average	7,331,820	1,251,293	6,080,527	4,480,408	503,382	4,983,790
1885–86	12,386,260	779,631	11,606,629	10,285,566	462,441	10,748,007
1886–87	8,219,761	1,064,023	7,155,738	4,616,537	100,649	4,717,186
1887–88	10,589,802	1,361,052	9,228,750	10,788,425	653,272	11,441,697
1888–89	10,725,872	1,479,193	9,246,679	7,312,255	738,788	8,051,043
1889–90	12,388,474	1,450,598	10,937,876	8,551,158	619,042	9,170,200
Quinquennial average	10,862,034	1,226,900	9,635,134	8,310,788	514,838	8,825,626
1890–91	15,433,654	1,258,518	14,175,136	13,163,474	305,195	13,468,669
1891–92	10,603,733	1,581,549	9,022,184	5,553,970	217,296	5,771,266
1892–93	15,228,021	2,364,452	12,863,569	12,705,210	—	—
Total of 23 years	199,466,168	34,240,566	165,225,602	152,504,446	6,056,292*	145,855,528*
Yearly average	8,672,442	1,488,720	7,183,722	6,630,628	275,286*	6,629,797*

* 22 years.

Balance of Trade.

The following is a statement of the principal points in the Balance of India's extern l Trade:—

	1870–71 to 1874–75.	1875–76 to 1879–80.	1880–81 to 1884–85.	1885–86 to 1889–90.	1890–91.	1891–92.	1892–93.
Total Amounts.							
Merchandise: Exports	Rx 285,151,481	Rx. 312,477,590	Rx. 411,465,558	Rx. 463,404,966	Rx. 100,227,348	Rx. 108,173,592	Rx. 106,574,671
Imports, excluding Government stores	160,905,849	188,114,206	253,157,161	305,988,250	69,034,900	66,587,457	62,618,383
Net exports	124,245,632	124,363,384	158,308,397	157,416,716	31,192,448	41,586,135	43,956,288
Remittances, net: Rupee Paper enfaced to England	*–2,187,992*	5,270,613	1,298,101	968,154	5,137,810	598,720	*–1,321,920*
Bills, &c., on India, drawn by the Government: To defray Home Charges	59,375,531	75,384,941	98,116,852	96,579,737	19,094,630	23,948,566	26,977,500
For interest on Rupee Paper	3,321,000	3,403,000	4,278,000	4,186,771	891,933	1,069,728	960,260
Total	60,508,539	84,058,554	103,692,953	101,734,662	25,124,373	25,617,014	26,615,840
Excess of net Exports of Merchandise over Remittances	63,737,093	40,304,830	54,615,444	55,682,054	6,068,075	15,969,121	17,340,448
Net Imports of Treasure: Gold	11,647,000	3,074,942	23,564,497	15,361,718	5,636,172	2,413,792	*–2,812,683*
Silver	15,327,483	35,270,998	30,402,632	48,175,673	14,175,136	9,022,184	13,863,569
Balance in favour of India	36,762,610	1,958,890	648,315	—	—	4,533,711	6,289,562
Balance against India	—	—	—	7,855,337	13,742,669	—	—
Annual Average.							
Net Exports of Merchandise	24,849,126	24,872,677	31,661,679	31,483,343	31,192,448	41,586,135	43,956,288
Net Remittances	12,101,707	16,811,711	20,738,591	20,346,932	25,124,373	25,617,014	26,615,840
Excess of net Exports of Merchandise over Remittances	12,747,419	8,060,966	10,923,088	11,136,411	6,068,075	15,969,121	17,340,448
Net Imports of Treasure	5,394,897	7,669,188	10,793,425	12,707,478	19,811,308	11,435,976	11,050,886
Balance in favour of India	7,352,522	391,778	129,663	—	—	4,533,145	6,289,562
„ against India	—	—	—	1,571,067	13,743,233	—	—

Note.—Some small surplus in favour of India probably accrues on the Land Frontier Trade, but the statistics are too scanty for incorporation with the other figures.

BRITISH INDIA.

(In continuation of the Statement on page 112 of Appendix to Final Report of Gold and Silver Commission.)

STATEMENT showing IMPORTS and EXPORTS of MERCHANDISE (exclusive of Treasure); the IMPORTS and EXPORTS of GOLD; the Value of GOLD COINED; the IMPORTS and EXPORTS of SILVER; the Value of SILVER COINED; the average RATE of EXCHANGE; the SUMS received for BILLS drawn by the HOME GOVERNMENT on INDIA; and the Value of CURRENCY NOTES in circulation.

Official Years.	Average Annual Rate of Exchange.	Imports of Merchandise (exclusive of Treasure).	Exports of Merchandise (exclusive of Treasure).	Excess of Exports over Imports of Merchandise.	Gold.			Gold Coinage.	Silver.			Silver Coinage.	Sums received in respect of Bills drawn by Home Government on India.	Value of Government Notes in Circulation on the average of 12 Months of each Year.
					Imported.	Exported.	Net Imports.	Value of Gold Coined.	Imported.	Exported.	Net Imports.	Value of New Silver Coined.		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	s. d.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	£	Rx.
1885–86 - - -	1 6·254	55,655,865	83,881,264	28,225,399	3,091,541	328,606	2,762,935	22,585	12,386,260	779,631	11,606,629	10,285,567	10,292,692	14,710,203
1886–87 - -	1 5·441	61,777,351	88,470,117	26,692,766	2,833,558	656,493	2,177,065	Nil.	8,219,761	1,064,023	7,155,738	4,616,536	12,136,279	14,201,095
1887–88 - - -	1 4·898	65,004,612	90,543,655	25,539,043	3,236,053	243,572	2,992,481	Nil.	10,589,803	1,361,052	9,228,751	10,788,425	15,358,577	16,162,329
1888–89 - -	1 4·379	69,440,467	97,049,532	27 609,065	3,119,088	305,154	2,813,934	22,609	10,725,872	1,479,193	9,246,679	7,282,254	14,262,859	16,431,629
1889–90 - - -	1 4·566	69,197 480	103,460,398	34,262,909	5,071,027	455,724	4,615,303	23,050	12,388,474	1,450,598	10,937,876	8,551,160	15,474,496	16,151,496
Average of five years -	1 5·107	64,215,157	92,680,993	28,465,836	3,470,253	397,910	3,072,343	13,649	10,862,034	1,226,899	9,635,135	8,310,788	13,504,981	15,531,350
1890–91 - -	1 6·090	71,975,370	100,227,348	28,251,978	6,500,832	864,660	5,636,172	Nil.	15,433,654	1,258,518	14,175,136	13,163,474	15,969,034	22,889,227
1891–92 - - -	1 4·733	69,432,383	108,173,592	38,741,209	4,118,929	1,705,137	2,413,792	24,801	10,603,733	1,581,549	9,022,184	5,553,970	16,401,538	25,436,237
1892–93 - - -	1 2·985	66,278,622	106,574,671	40,296,049	1,781,789	4,594,472	*-1,296,418* / *-2,812,683*	?	15,228,021	2,364,452	12,863,569	12,705,210	16,224,531	26,401,820*

* Amount in circulation on the 31st of March 1893.

TABLE showing the PROGRESS of the TRADE of INDIA with the UNITED KINGDOM.

Years.	Average Rate of Exchange per Rupee.	Merchandise and Treasure together.				Merchandise only.	
		Figures for 1874–75 being represented by 100.		Percentage of the Trade of the United Kingdom with India to the whole Trade of the United Kingdom.*	Average Per-centage.	Figures for 1874–75 being represented by 100.	
		Imports into India.	Exports from India.			Imports into India.	Exports from India.
	d.						
1874–75	22·156	100	100	8·5		100	100
1875–76	21·626	96	101	8·5		104	101
1876–77	20·508	110	105	8·5	8·6	101	101
1877–78	20·791	132	110	8·9		110	107
1878–79	19·794	93	101	8·5		98	93
1879–80	19·961	108	99	7·8		109	99
1880–81	19·956	132	111	8·9		140	112
1881–82	19·895	127	125	9·2	8·9	131	126
1882–83	19·525	135	127	9·8		137	128
1883–84	19·536	145	132	9·9		146	131
1884–85	19·308	147	121	9·7		143	121
1885–86	18·254	146	124	9·8	9·9	142	124
1886–87	17·441	154	125	10·5		159	124
1887–88	16·898	166	126	9·7		167	126
1888–89	16·379	177	135	9·4		179	135
1889–90	16·566	182	142	9·2	9·2	171	141
1890–91	18·090	185	120	9·1		177	118
1891–92	16·733	164	130	8·7		164	125

* These figures are for the calendar years ended in the previous December.

EXPORTS of WHEAT from INDIA.

Years ended 31st March.	Quantity.	Value.	Average Rate of Exchange.
	Cwts.	Rx.	*s.* *d.*
1877	5,587,000	1,958,000	1 8·51
1878	6,373,000	2,874,000	1 8·79
1879	1,057,000	520,000	1 7·79
1880	2,202,000	1,124,000	1 7·96
1881	7,444,000	3,278,000	1 7·96
1882	19,901,000	8,870,000	1 7·89
1883	14,194,000	6,089,000	1 7·52
1884	21,001,000	8,896,000	1 7·54
1885	15,851,000	6,316,000	1 7·31
1886	21,069,000	8,005,000	1 6·25
1887	22,264,000	8,626,000	1 5·44
1888	13,538,000	5,562,000	1 4·90
1889	17,610,000	7,523,000	1 4·38
1890	13,799,000	5,791,000	1 4·57
1891	14,320,000	6,042,000	1 6·09
1892	30,303,000	14,380,000	1 4·73

EXPORTS of MERCHANDISE from INDIA to GOLD-USING and SILVER-USING COUNTRIES, respectively.

Years.	Exports to Gold-using Countries.			Exports to Silver-using Countries.		
	Total.	Annual Average.	Percentage on Figures of 1875–76.	Total.	Annual Average.	Percentage on Figures of 1875–76.
	Rx.	Rx.		Rx.	Rx.	
1875-76	37,217,694			20,827,711		
1876-77	38,856,422			22,105,210		
1877-78	42,111,743	38,916,093	100	23,073,970	23,540,811	100
1878-79	35,670,323			25,223,288		
1879-80	40,699,282			26,473,876		
1880-81	47,559,518			26,971,764		
1881-82	56,183,859			25,768,101		
1882-83	57,790,565	56,402,318	145	25,610,300	25,811,637	110
1883-84	62,613,795			25,421,344		
1884-85	57,913,851			25,286,677		
1885-86	57,995,424			25,832,416		
1886-87	60,029,717			28,398,943		
1887-88	61,206,065	63,176,863	162	29,265,397	29,443,736	125
1888-89	66,028,378			30,949,793		
1889-90	70,624,729			32,772,133		
1890-91	65,790,668	70,214,031	180	34,345,054	33,871,835	144
1891-92	74,637,394			33,398,616		

EXPORTS of MERCHANDISE from INDIA to SILVER-USING COUNTRIES (Opium excluded).

Official Years.	Rx.
1875-76	9,687,000
1876-77	9,714,000
1877-78	10,702,000
1878-79	12,230,000
1879-80	12,151,000
1880-81	13,376,000
1881-82	13,336,000
1882-83	14,129,000
1883-84	14,127,000
1884-85	14,404,000
1885-86	15,097,000
1886-87	17,321,000
1887-88	19,198,000
1888-89	20,442,000
1889-90	22,656,000
1890-91	25,083,000
1891-92	23,836,000

TRADE of INDIA with GOLD and SILVER COUNTRIES, respectively, in 1890–91 (omitting Government Stores).

	Merchandise.			Gold.			Net Exports of Merchandise and Gold.	Silver.			Final Balance, Merchandise and Treasure, Net Exports.
	Exports from India.	Imports into India.	Net Exports.	Imports into India.	Exports from India.	Net Imports.		Imports into India.	Exports from India.	Net Imports.	
Gold Countries.											
United Kingdom	Rx. 32,755,188	Rx. 52,101,868	Rx. *−19,346,680*	Rx. 3,814,111	Rx. 821,873	Rx. 2,992,238	Rx. *−22,338,918*	Rx. 7,540,834	Rx. 31,859	Rx. 7,508,975	Rx. *−29,847,893*
Continent of Europe, except Austria and Russia.	22,222,569	4,045,030	18,177,539	130,775	—	130,775	18,046,764	201,876	39,280	162,596	17,884,168
Asia: Turkey and Java	606,744	420,961	185,783	38,702	30,687	8,015	177,768	194,392	1,475	192,917	*−15,149*
Africa: Cape, Natal, St. Helena, and Egypt.	4,804,730	88,128	4,716,602	177,843	40	177,803	4,538,799	28,190	90	28,100	4,510,690
America: Canada, United States, and West Indies.	4,174,529	1,522,681	2,651,848	5,500	—	5,500	2,646,348	—	—	—	2,646,348
Australasia	1,226,887	249,718	977,169	1,104,057	—	1,104,057	*−126,888*	542,623	—	542,623	*−669,511*
Total	65,790,647	58,428,386	7,362,261	5,270,988	852,600	4,418,388	2,943,873	8,507,915	72,704	8,435,211	*−5,491,338*
Silver Countries.											
Europe: Austria and Russia.	3,086,908	832,795	2,254,113	8,412	4,515	3,897	2,250,216	972,842	12	972,830	1,277,386
Asia, except Turkey and Java.	27,888,880	7,612,339	20,276,541	1,170,552	3,338	1,167,214	19,109,327	5,836,761	996,961	4,839,800	14,269,527
Africa: East Coast, Mauritius, and Madagascar.	2,553,719	2,153,808	399,911	50,880	4,207	46,673	352,638	112,068	188,551	*−76,483*	429,121
America: South	730,560	1,448	729,112	—	—	—	729,112	—	—	—	729,112
Countries unnamed	85,608	6,124	79,484	—	—	—	79,484	4,068	290	3,778	75,706
Total	34,345,075	10,606,514	23,738,561	1,229,844	12,060	1,217,784	22,520,777	6,925,739	1,185,814	5,739,925	16,780,852
Grand Total	100,135,722	69,034,900	31,100,822	6,500,832	864,660	5,636,172	25,464,650	15,433,654	1,258,518	14,175,136	11,289,514

TRADE of INDIA with GOLD and SILVER COUNTRIES, respectively, in 1891–92 (omitting Government Stores).

	Merchandise.			Gold.			Net Exports of Merchandise and Gold.	Silver.			Final Balance, Merchandise and Treasure, Net Exports.
	Exports from India.	Imports into India.	Net Exports.	Imports into India.	Exports from India.	Net Imports.		Imports into India.	Exports from India.	Net Imports.	
Gold Countries.											
United Kingdom	Rx. 34,541,012	Rx. 48,271,401	Rx. *−13,730,389*	Rx. 1,565,648	Rx. 1,683,481	Rx. *−117,833*	Rx. *−13,612,556*	Rx. 6,202,748	Rx. 87,091	Rx. 6,115,657	Rx. *−19,728,213*
Continent of Europe, except Austria and Russia.	26,415,524	4,667,757	21,747,767	109,745	15,529	94,216	21,653,551	56,137	35,086	21,051	21,632,500
Asia: Turkey and Java	848,632	714,245	134,387	11,374	4,089	7,285	127,102	26,972	82,106	*−55,134*	182,236
Africa: Cape, Natal, St. Helena, and Egypt.	7,658,248	94,522	7,563,726	168,118	—	168,118	7,395,608	8,418	1,600	6,818	7,388,790
America: Canada, United States, and West Indies.	4,199,885	1,203,799	2,996,086	—	—	—	2,996,086	568,200	—	568,200	2,427,886
Australasia	974,098	287,315	686,783	552,252	—	552,252	134,531	552,637	—	552,637	*−418,106*
Total	74,637,399	55,239,039	19,398,360	2,407,137	1,703,099	704,038	18,694,322	7,415,112	205,883	7,209,229	11,485,093
Silver Countries.											
Europe: Austria and Russia.	2,421,455	839,421	1,582,034	32	491	*−459*	1,582,493	97,380	18	97,362	1,485,131
Asia, except Turkey and Java.	27,403,330	8,447,658	18,955,672	1,655,219	1,547	1,653,672	17,302,000	3,006,383	1,325,365	1,681,018	15,620,982
Africa: East Coast, Mauritius, and Madagascar.	2,576,776	2,059,240	517,536	56,541	—	56,541	460,995	84,858	50,283	34,575	426,420
America: South	996,813	2,099	994,714	—	—	—	994,714	—	—	—	994,714
Countries unnamed	237	—	237	—	—	—	237	—	—	—	237
Total	33,398,611	11,348,418	22,050,193	1,711,792	2,038	1,709,754	20,340,439	3,188,621	1,375,666	1,812,955	18,527,484
Grand Total	108,036,010	66,587,457	41,448,553	4,118,929	1,705,137	2,413,792	39,034,761	10,603,733	1,581,549	9,022,184	30,012,577

COTTON MILLS in INDIA, and EXPORTS of COTTON GOODS from INDIA.

Year.	Number of			Exports of	
	Mills.	Spindles.	Looms.	Cotton Yarn.	Cotton Piece Goods.
				Thousands of Lbs.	Thousands of Yards.
1876-77	47	1,100,112	9,139	7,927	15,544
1877-78	53	1,289,706	10,533	15,600	17,545
1878-79	58	1,436,464	12,983	21,332	22,517
1879-80	58	1,470,830	13,307	25,862	25,800
1880-81	58	1,471,730	13,283	26,901	30,424
1881-82	62	1,550,944	14,386	30,786	29,911
1882-83	62	1,654,108	15,116	45,378	41,534
1883-84	74	1,895,284	16,251	49,877	55,565
1884-85	81	2,037,055	16,455	65,897	47,909
1885-86	89	2,198,545	16,548	78,242	51,578
1886-87	90	2,202,602	16,926	91,804	53,406
1887-88	97	2,375,739	18,840	113,451	69,486
1888-89	108	2,670,022	22,156	128,907	70,265
1889-90	114	2,934,637	22,078	141,950	59,496
1890-91	125	3,197,740	23,845	169,275	67,666
1891-92	127	3,272,988	24,670	161,253	73,384

Quantities of COTTON YARN and PIECE GOODS exported from the UNITED KINGDOM to CHINA, HONG KONG, and JAPAN.

Year.	Cotton Yarn.	Cotton Piece Goods.
	Thousands of Lbs.	Thousands of Yards.
1877	33,086	394,489
1878	36,467	382,330
1879	38,951	523,921
1880	46,426	509,099
1881	47,479	587,177
1882	34,370	454,943
1883	33,499	415,956
1884	38,856	439,937
1885	33,061	562,339
1886	26,924	490,451
1887	35,354	618,146
1888	44,643	652,404
1889	35,720	557,004
1890	37,869	633,606
1891	27,971	595,258

VALUE of TREASURE imported into BRITISH INDIA by SEA, distinguishing COUNTRIES whence IMPORTED; and also (*in italics*) the VALUE EXPORTED; in TENS of RUPEES.

GOLD.

Countries.	YEARS.												
	1880-81.	1881-82.	1882-83.	1883-84.	1884-85.	1885-86.	1886-87.	1887-88.	1888-89.	1889-90.	1890-91.	1891-92.	1892-93.
EUROPE: United Kingdom	1,047 849	1,098,202	1,393,173	1,328,462	1,497,330	657,407	811,333	955,997	1,065,659	2,443,874	3,814,111	1,565,648	598,064
	163	*2,277*	*147,361*	*4,231*	*102,525*	*315,661*	*651,321*	*233,746*	*236,187*	*444,722*	*821,873*	*1,683,481*	*4,244,102*
Other Countries	55,874	93,809	144,192	120,281	226,778	51,962	113,237	63,188	85,629	146,403	139,187	109,777	45,872
	—	*1,341*	*9,055*	*701*	*1,535*	*9,275*	*4,760*	*6,082*	*5,421*	*4,528*	*4,515*	*16,020*	*349,076*
AFRICA*	318,214	334,256	279,675	303,994	393,569	278,903	280,405	272,118	158,738	257,541	228,723	224,659	137,672
	—	*544*	*345*	*75*	*153*	*1,580*	—	—	—	*788*	*4,247*	—	*54*
AMERICA	—	2,488	—	—	—	—	—	—	—	—	5,500	—	—
	—	—	—	—	—	—	—	—	—	—	—	—	*1,206*
ASIA: Aden	30,657	59,635	55,009	73,641	133,934	143,574	99,662	137,108	110,350	35,706	64,122	229,463	49,083
	1,400	—	*220*	*435*	*184*	*155*	*50*	*95*	*187*	*160*	*133*	*478*	—
Arabia	206,028	213,688	159,114	96,966	140,739	220,561	244,956	193,901	212,533	157,541	105,666	186,950	205,592
	325	—	—	—	—	*110*	*206*	—	—	—	*792*	*190*	—
Ceylon	36,938	191,710	211,527	535	146	2,904	2,727	998	—	9,505	1,737	14,101	—
	11,316	*6,183*	*4,100*	*125*	*1,257*	*660*	—	*1,418*	*2,000*	*1,470*	—	—	—
China	1,548,684	1,376,977	1,167,916	1,360,530	925,833	1,116,148	925,159	974,712	935,287	1,334,679	963,430	1,200,370	652,106
	—	—	*173*	—	—	—	*4*	*8*	—	—	—	—	—
Persia	3,145	1,816	34,845	70,764	39,635	20,971	32,081	5,110	4,241	5,124	8,349	19,512	12,810
	950	*1,763*	*1,600*	*1,305*	—	—	—	*700*	*534*	*2,166*	*1,019*	*572*	*40*
Straits Settlements	21,123	33,961	18,085	10,912	25,961	5,869	5,888	38,497	14,473	9,286	27,248	4,823	2,816
	605	*250*	*120*	—	*382*	*880*	—	*1,523*	*1,400*	—	*1,394*	*307*	—
Turkey in Asia	93,226	95,819	205,918	182,356	91,156	45,673	87,114	54,077	20,250	35,379	38,702	11,374	11,888
	2,100	*50*	*1,290*	—	—	*785*	*152*	—	*6,450*	*1,890*	*30,687*	*4,089*	—
Other Countries	19,088	32,221	—	381	24,402	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	*2,975*	—	—	—	—
AUSTRALASIA	291,212	1,321,860	1,425,681	1,920,635	1,278,689	547,569	230,996	540,34	511,928	635,989	1,104,057	552,252	65,886
	—	—	—	*30*	*200*	—	—	—	—	—	—	—	—
Total	3,672,033	4,856,392	5,095,135	5,469,457	4,778,172	3,091,541	2,833,558	3,236,053	3,119,088	5,071,027	6,500,832	4,118,929	1,781,789
	16,869	*12,408*	*164,264*	*6,952*	*106,236*	*323,606*	*656,493*	*243,572*	*305,154*	*455,724*	*864,660*	*1,705,137*	*4,594,472*

* Including Mauritius and Réunion.

VALUE of TREASURE imported into BRITISH INDIA by SEA; distinguishing COUNTRIES whence IMPORTED; and also (*in italics*) the VALUE EXPORTED; in TENS of RUPEES.

SILVER.

Countries.	Years.												
	1880-81.	1881-82.	1882-83.	1883-84.	1884-85.	1885-86.	1886-87.	1887-88.	1888-89.	1889-90.	1890-91.	1891-92.	1892.
EUROPE: United Kingdom	2,864,594	3,767,975	4,390,534	5,457,916	6,683,413	7,620,072	5,090,685	6,877,250	6,882,639	9,769,128	7,540,834	6,202,748	12,579,261
	151,939	*17,895*	*43,251*	*11,261*	*27,160*	*94,632*	*87,387*	*29,038*	*22,725*	*6,705*	*31,859*	*87,091*	*129,876*
Other Countries	1,240,303	445,448	1,843,325	611,209	290,998	660,013	198,370	568,329	419,019	332,989	1,174,718	153,518	379,035
	5,745	*73,544*	*73,308*	*66,968*	*62,394*	*51,526*	*29,498*	*30,312*	*54,204*	*91,334*	*39,292*	*35,103*	*46,511*
AFRICA*	119,327	26,895	39,266	93,167	84,911	53,926	239,970	83,718	60,464	73,254	144,326	93,276	149,577
	140,798	*301,652*	*58,751*	*201,682*	*316,880*	*131,045*	*197,953*	*403,049*	*243,129*	*217,564*	*188,980*	*51,883*	*996,345*
AMERICA	—	—	—	—	69,800	602,309	717,064	917,110	925,724	188,730	42,310	568,200	31,500
	—	—	—	—	—	—	—	—	—	—	—	—	*180*
ASIA: Aden	58,000	71,853	19,092	32,993	48,990	48,932	57,025	13,508	17,750	78,323	93,096	32,687	21,621
	170,730	*30,210*	*55,580*	*22,302*	*212,706*	*48,849*	*49,353*	*115,132*	*150,460*	*130,178*	*78,480*	*248,548*	*107,170*
Arabia	444,793	288,550	290,280	227,063	197,322	182,172	260,788	213,902	235,182	408,609	419,546	269,520	284,034
	85,800	*78,120*	*50,362*	*55,183*	*71,250*	*75,510*	*71,174*	*71,770*	*115,759*	*133,442*	*89,486*	*171,197*	*172,238*
Ceylon	208,801	102,523	92,109	109,774	82,543	218,901	202,160	61,319	53,489	155,027	93,720	70,572	193,332
	572,630	*488,165*	*465,020*	*430,536*	*908,550*	*256,700*	*463,150*	*501,260*	*530,800*	*602,221*	*650,750*	*769,150*	*576,215*
China	160,599	1,512,531	1,265,778	552,938	1,126,454	2,754,028	1,156,700	1,627,842	1,938,553	931,464	3,629,769	2,495,163	866,038
	37,950	*7,514*	*18,963*	*26,260*	*115,500*	*23,750*	*5,004*	*36,250*	*38,768*	*28,556*	*84,251*	—	—
Persia	41,355	61,289	157,874	138,540	128,912	79,890	84,607	71,655	75,748	126,035	194,013	89,112	68,712
	195,560	*105,628*	*72,557*	*101,419*	*90,900*	*68,704*	*116,950*	*114,811*	*184,942*	*102,924*	*52,552*	*110,345*	*116,119*
Straits Settlements	54,323	52,876	58,354	86,065	41,689	78,338	72,474	64,184	26,533	47,478	1,294,705	47,088	17,103
	20,917	*16,571*	*18,485*	*23,024*	*6,862*	*9,588*	*16,140*	*31,922*	*76,707*	*112,557*	*38,669*	*22,146*	*47,267*
Turkey in Asia	110,222	119,409	195,974	85,639	213,230	74,694	80,149	88,865	66,909	122,055	194,392	26,972	14,426
	33,450	*13,289*	*14,180*	*34,855*	*26,382*	*15,140*	*18,309*	*16,040*	*21,610*	*18,432*	*1,475*	*32,106*	*137,354*
Other Countries	10,139	5,740	5,434	13,202	141,123	3,085	56,360	2,121	1,260	41,570	111,912	2,245	1,894
	8,063	*4,801*	*7,388*	*29,865*	*25,810*	*4,188*	*9,105*	*11,498*	*40,089*	*6,090*	*2,774*	*3,980*	*35,177*
AUSTRALASIA	3,700	11,300	2	—	640	9,900	3,409	—	22,602	113,812	500,313	552,637	621,488
Total	5,316,156	6,466,389	8,358,022	7,408,506	9,110,025	12,386,260	8,219,761	10,589,803	10,725,872	12,388,474	15,433,654	10,603,733	15,228,021
	1,423,532	*1,087,339*	*877,795*	*1,003,355*	*1,864,894*	*779,632*	*1,064,023*	*1,361,052*	*1,479,193*	*1,450,598*	*1,253,548*	*1,581,549*	*2,364,452*
Grand Total, Gold and Silver.	8,988,214	11,322,781	13,453,157	12,877,963	13,888,197	15,477,801	11,953,319	13,825,856	13,844,960	17,459,501	21,934,486	14,722,662	17,009,810
	1,440,441	*1,099,747*	*1,042,059*	*1,010,307*	*1,970,630*	*1,108,238*	*1,720,516*	*1,604,624*	*1,784,347*	*1,906,322*	*2,123,178*	*3,286,586*	*6,958,924*

* Including Mauritius and Réunion.

IMPORTS into INDIA from the EAST.

Imports.	Hong Kong.						China Treaty Ports.					
	1870-71.	1875-76.	1880-81.	1885-86.	1890-91.	1891-92.	1870-71	1875-76.	1880-81.	1885-86.	1890-91.	1891-92.
Apparel	Rx.* 9,068	Rx.* 12,550	Rx. 13,766	Rx. 17,340	Rx. 19,714	Rx. 18,068	Rx.	Rx.	Rx. 37	Rx. 219	Rx. 768	Rx. 189
Coffee	—	—	—	—	—	—			—	—	—	—
Cotton Manufactures	5,102	1,249	249	124	319	486			—	—	1	—
Copper	63,775	78,775	39,782	123,887	153,716	306,217			—	—	—	—
Drugs	48,237	37,995	84,559	71,201	120,257	97,736			—	—	—	—
Glass	80,001	57,005	60,978	76,288	121,432	123,080			—	—	—	1,995
Provisions	1,444	7,652	13,988	9,073	13,814	15,796			29	4	170	239
Silk, raw	788,861	553,482	537,006	465,489	618,874	680,541			257,953	106,411	194,237	303,413
„ manufactured	172,065	256,638	328,696	333,211	415,744	512,437			305	4,943	15,152	21,211
Spices	9,470	802	3,521	2,277	1,252	3,623			—	—	—	—
Sugar	121,563	110,074	252,977	241,898	261,351	216,749			—	—	—	—
Tea	163,729	200,867	56,306	74,760	38,595	44,526			174,047	187,171	239,152	307,367
Tin	3,030	240	357	226	168	324			—	—	—	—
Other Merchandise	70,784	200,655	164,985	136,971	203,603	222,019			221	254	1,976	1,123
Total Merchandise	1,537,129	1,517,984	1,557,170	1,552,745	1,968,839	2,241,602			432,592	299,002	451,456	635,537
Gold	1,505,352	1,032,982	954,643	555,866	736,267	959,850			594,041	560,283	227,163	240,520
Silver	1,247,854	344,507	160,599	1,631,083	2,294,553	1,729,863			—	1,122,945	1,335,216	765,300
Total	4,290,335	2,900,473	2,672,412	3,739,694	4,999,659	4,931,315			1,026,633	1,982,230	2,013,835	1,641,357

* The Imports from the Treaty Ports are included in these two columns.

IMPORTS into INDIA from the EAST—*continued.*

Imports.	Straits Settlements.						Japan.					
	1870-71.	1875-76.	1880-81.	1885-86.	1890-91.	1891-92.	1870-71.	1875-76.	1880-81.	1885-86.	1890-91.	1891-92.
Apparel	Rx. 3,375	Rx. 12,483	Rx. 25,277	Rx. 37,097	Rx. 93,539	Rx. 81,868	Rx.	Rx. —	Rx. —	Rx. 689	Rx. 2,311	Rx. 6,335
Coffee	3,540	2,449	20,735	19,422	38,107	122,808		—	—	—	—	—
Cotton Manufactures	75,662	14,945	13,446	56,077	116,243	101,272		—	—	55	—	1,178
Copper	19,370	1,635	1,706	1,002	16,029	9,765		—	4,667	14,714	3,784	2,371
Drugs	36,220	33,751	32,544	41,350	72,874	84,984		67	—	338	240	1,744
Glass	1,094	990	1,176	1,844	6,408	3,736		—	—	—	—	—
Provisions	14,250	41,850	124,274	169,403	252,415	271,880		—	—	—	—	—
Silk, raw	79,831	103,319	198,685	128,953	275,094	236,115		—	761	—	16,411	14,885
„ manufactured	2,541	42,623	108,668	71,715	46,287	19,738		—	—	—	1,803	7,739
Spices	122,795	199,999	273,248	378,201	432,721	473,714		—	—	—	—	815
Sugar	44,332	37,797	135,147	56,800	154,506	159,246		—	—	—	—	—
Tea	15,708	17,667	26,166	35,958	25,896	27,033		—	27	—	124	150
Tin	116,568	156,785	169,816	218,653	272,738	257,140		—	—	—	—	—
Other Merchandise	222,617	284,577	345,356	395,595	497,480	509,299		5,287	1,155	7,304	32,999	30,529
Total Merchandise	757,903	950,870	1,476,244	1,612,070	2,300,337	2,358,598	—	5,354	6,610	23,100	57,672	65,746
Gold	16,280	36,587	21,123	5,868	27,249	4,824	—	—	19,088	—	—	—
Silver	182,655	83,995	54,323	78,377	1,294,705	47,082	78,741	—	—	—	109,060	—
Total	956,838	1,071,452	1,551,690	1,696,315	3,622,291	2,410,504	78,741	5,354	25,698	23,100	166,732	65,746

No figures available.

EXPORTS from INDIA to the EAST.

Exports.	Hong Kong.						Treaty Ports.					
	1870-71.	1875-76.	1880-81.	1885-86.	1890-91.	1891-92.	1870-71.	1875-76.	1880-81.	1885-86.	1890-91.	1891-92.
Cotton, raw	Rx.* 2,117,245	Rx.* 1,461,742	Rx. 1,162,026	Rx. 2,625,488	Rx. 3,482,462	Rx. 3,268,573	Rx.	Rx.	Rx. 682	Rx. 301,360	Rx. 2,631,514	Rx. 2,159,194
„ manufactures	25,647	374	1,854	2,187	1,211	1,440			22,285	36,058	70,863	95,873
Drugs (excluding opium)	22,997	19,899	8,169	13,291	25,980	46,502			28	47	—	35
Hides and skins	—	—	—	170	2,016	1,858			—	—	—	—
Jade	—	—	399	500	450	—			—	—	—	—
Jute, raw	4,627	4,324	8,285	3,365	18,416	—			—	—	—	—
„ manufactures	1,633	13,168	137,650	57,147	108,914	137,507			—	2,855	3,586	7,729
Oils	4,924	8,956	9,683	12,973	20,200	19,526			—	—	—	—
Opium	9,856,439	9,776,701	8,182,410	6,533,311	5,628,965	5,468,853			4,110,920	2,767,948	2,100,676	2,335,002
Provisions	19,780	18,028	21,626	30,665	30,141	25,550			101	659	635	677
Rice	32,718	546	622	19,956	1,784	795			—	578	460	106
Saltpetre	46,882	51,416	91,104	59,047	82,082	78,123			—	—	—	—
Silk, raw	—	—	1,368	—	—	—			—	—	—	—
„ manufactures	1,586	1,905	1,343	2,608	1,490	1,534			—	—	—	—
Foreign merchandise:—												
Cotton manufactures	87,637	3,449	3,438	9,192	2,894	2,457			—	36	2,201	3,743
Provisions	13,757	35,503	56,135	57,214	62,700	47,251			119	465	1,080	1,538
Other Merchandise	1,574,016	109,868	1,120,461	114,805	153,618	104,932			2,942	5,527	6,059	14,703
Total Merchandise	13,809,888	11,505,879	10,806,573	9,541,919	9,623,323	9,204,901			4,137,077	3,115,533	4,817,074	4,618,600
Gold	44	—	—	—	—	—			—	—	—	—
Silver	5,497	14,535	37,950	23,750	400	—			—	—	83,851	—
Total	13,815,429	11,520,414	10,844,523	9,565,669	9,623,723	9,204,901			4,137,077	3,115,533	4,900,925	4,618,600

* The Exports to the Treaty Ports are included in these two columns.

EXPORTS from INDIA to the EAST—*continued.*

Exports.	Straits Settlements.						Japan.					
	1870-71.	1875-76.	1880-81.	1885-86.	1890-91.	1891-92.	1870-71.	1875-76.	1880-81.	1885-86.	1890-91.	1891-92.
Cotton, raw	Rx. 25,224	Rx. 128,437	Rx. 50,595	Rx. 126,316	Rx. 142,764	Rx. 178,636	Rx.	Rx. 4,931	Rx. 97,657	Rx. 267,135	Rx. 705,398	Rx. 1,251,345
„ manufactures	38,300	43,396	75,975	195,169	171,448	195,157		—	900	146	180	—
Drugs (excluding opium)	2,506	2,613	3,273	4,656	5,012	6,697		22	159	51	79	14
Hides and skins	38,743	39,006	53,722	105,933	96,349	98,205		—	962	—	—	711
Jade	39,720	41,830	79,990	49,505	60,270	52,122		—	—	—	—	—
Jute, raw	—	—	—	—	303	255		—	—	—	4,070	10,450
„ manufactures	30,482	119,150	124,296	116,924	251,990	275,256		32	—	2,494	12,574	12,686
Oils	6,546	13,490	20,796	25,476	48,380	38,238		—	—	99	262	132
Opium	886,436	1,351,836	1,281,356	1,301,205	1,430,266	1,577,327		—	—	—	—	—
Provisions	20,816	34,244	52,799	57,975	85,157	78,266		13	20	194	75	197
Rice	394,248	363,499	849,206	1,080,633	2,706,607	2,027,998		—	4	—	480,502	—
Saltpetre	4,595	6,895	6,314	7,129	6,835	10,663		—	—	—	—	—
Silk, raw	1,163	1,758	2	5,740	75	1,296		—	—	—	—	—
„ manufactures	9,293	18,039	10,114	10,105	5,976	8,379		—	—	—	—	—
Foreign merchandise:—												
Cotton manufactures	86,612	140,227	177,742	197,892	168,600	152,963		—	—	—	192	15
Provisions	—	3,313	9,113	16,475	21,761	19,012		—	—	—	—	—
Other Merchandise	488,057	284,254	366,454	382,905	557,471	523,699		1,128	7,662	5,684	9,454	19,654
Total Merchandise	2,072,741	2,591,987	3,161,747	3,684,038	5,759,264	5,244,169	—	6,126	107,364	275,803	1,212,786	1,295,204
Gold	—	2,000	605	380	1,394	307	—	—	—	—	—	—
Silver	—	48,810	20,917	9,588	38,669	22,146	—	—	—	—	—	—
Total	2,072,741	2,642,797	3,183,269	3,694,006	5,799,327	5,266,622	—	6,126	107,364	275,803	1,212,786	1,295,204

No figures available.

COMPARISON of the QUANTITIES and VALUES of the PRINCIPAL EXPORTS from INDIA, with the RATES of EXCHANGE, taking the FIGURES for 1868–69 as 100 in each CASE.

Years.	Average Rate of Exchange for Bills on India.	Cotton, Raw.		Opium.		Seeds.		Rice.		Wheat.		Cotton Manufactures, including Twist and Yarn.	Jute, Raw.		Tea.		Indigo.		Hides and Skins.		Wool.		Coffee.	
		Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
1868-69	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1869-70	100·30	79·53	94·69	118·31	109·33	109·09	115·74	69·03	71·72	28·39	33·34	95·94	99·95	104·89	111·10	109·83	98·87	109·82	123·16	134·99	65·35	73·64	75·50	77·62
1870-71	96·97	82·79	98·99	114·09	100·82	169·09	176·57	104·62	99·83	90·21	105·14	105·24	111·61	136·24	115·23	115·85	104·01	110·32	146·80	161·29	95·29	104·49	70·76	72·33
1871-72	99·69	115·99	105·57	124·56	124·96	128·62	136·79	112·58	106·84	231·26	238·60	88·94	182·36	217·63	152·09	150·67	116·34	128·05	180·52	201·61	118·92	141·27	118·89	123·14
1872-73	98·09	70·84	69·59	110·61	106·83	69·75	75·61	151·49	136·81	143·03	169·80	105·80	210·51	218·96	156·10	161·72	116·23	118·42	207·10	233·21	102·10	134·25	88·09	102·25
1873-74	96·35	72·24	65·57	118·38	106·04	111·26	118·88	131·66	131·80	637·41	838·00	119·07	182·16	181·62	169·35	178·36	116·91	122·86	173·78	208·98	102·89	150·64	86·04	133·76
1874-75	95·51	89·91	75·72	126·40	111·79	152·46	162·21	113·11	113·17	389·74	497·62	121·76	163·33	171·62	186·35	199·62	82·12	89·03	163·57	213·73	105·15	150·50	73·33	116·67
1875-76	93·22	80·44	65·91	117·87	104·23	263·70	273·82	132·77	126·13	911·41	917·71	127·25	154·79	148·28	213·95	221·99	111·28	99·35	175·18	235·05	118·37	172·91	87·53	145·70
1876-77	88·41	73·17	58·29	174·47	115·98	240·51	266·65	129·49	138·20	2,027·95	1,982·22	144·44	134·77	139·36	243·25	266·34	101·19	102·38	178·35	239·49	120·57	171·84	71·28	120·74
1877-78	89·63	55·56	46·57	123·83	115·69	305·87	368·98	119·84	165·06	2,313·47	2,909·85	171·30	162·03	185·96	293·17	311·24	121·57	120·75	206·43	299·90	115·79	150·64	69·98	119·95
1878-79	85·33	47·63	39·28	121·67	121·49	180·99	234·73	138·19	213·23	383·59	526·67	192·70	178·98	208·79	303·13	322·22	105·89	102·61	191·17	247·23	136·28	172·90	80·21	138·13
1879-80	86·05	63·39	55·31	140·76	133·92	181·86	239·69	144·15	199·55	799·15	1,138·38	204·35	198·61	230·99	334·54	312·29	101·74	101·85	219·69	298·38	140·57	185·07	84·61	145·67
1880-81	86·03	72·91	65·72	122·99	127·16	258·59	320·43	177·32	215·09	2,702·32	3,319·10	231·97	172·72	207·94	408·69	315·11	117·81	123·42	210·75	298·16	126·26	182·39	86·88	142·96
1881-82	85·77	90·38	74·15	119·19	116·24	263·08	304·01	187·87	197·30	7,224·09	8,980·93	248·94	223·28	265·89	420·34	368·27	151·57	155·82	223·36	315·27	131·21	162·39	82·49	130·30
1882-83	84·17	99·06	79·68	122·47	107·35	239·97	361·22	203·28	201·29	5,152·36	6,165·25	296·13	307·67	309·05	507·25	380·06	142·17	135·22	239·01	354·77	129·36	156·25	85·31	126·59
1883-84	84·22	96·12	71·47	122·69	105·60	435·63	505·59	175·85	198·58	7,623·54	9,007·50	323·85	208·64	242·75	526·76	420·25	169·94	160·38	253·71	372·48	123·74	153·16	85·40	131·16
1884-85	83·23	81·39	65·98	115·51	101·75	458·27	539·02	143·41	170·80	5,753·89	6,395·32	342·33	248·79	246·39	567·48	420·57	155·87	140·61	262·82	394·01	125·19	154·86	80·31	114·90
1885-86	78·69	67·29	53·51	117·35	100·37	434·68	500·05	183·54	219·60	7,648·05	8,105·84	379·94	231·37	230·21	606·84	446·98	133·55	139·73	291·72	425·91	153·62	187·93	88·29	121·74
1886-87	75·19	87·27	66·88	127·86	103·57	399·26	462·33	174·80	209·85	8,081·73	8,734·29	436·95	246·96	257·40	701·70	496·38	139·50	127·57	286·94	411·00	165·49	209·22	87·88	135·12
1887-88	72·85	86·29	71·53	120·20	94·13	403·60	471·16	185·55	220·66	4,914·37	5,632·21	518·40	286·70	319·28	775·09	539·00	140·76	134·45	278·89	387·93	172·04	232·91	64·59	137·35
1888-89	70·61	85·60	74·67	117·12	98·25	390·81	479·44	150·51	187·97	6,392·97	7,617·74	611·37	313·74	417·42	865·31	556·35	143·59	136·45	291·62	378·80	172·21	247·47	86·12	168·99
1889-90	71·41	101·51	92·66	113·62	94·58	396·49	532·74	176·23	240·10	5,010·22	5,865·35	639·90	304·90	456·68	919·94	553·54	158·37	133·49	278·78	361·11	187·68	277·21	56·64	133·81
1890-91	77·98	95·12	82·06	114·41	86·59	371·41	468·36	227·37	320·07	5,198·36	6,118·29	708·82	356·34	401·82	959·87	559·52	119·37	106·20	294·87	375·03	167·38	248·21	55·08	130·57
1891-92	72·13	72·92	53·37	116·82	89·40	430·99	612·02	220·36	317·89	11,001·44	14,562·82	669·19	253·66	361·99	1,075·75	638·76	126·33	111·07	—	413·92	174·84	256·27	74·11	180·52

Comparison of Net Exports with Rate of Exchange, &c., Monthly.

(Figures in thousands of Rx.)

1889.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
Merchandise: Exports	11,168	9,910	10,644	9,174	9,900	6,721	7,413	6,791	7,083	8,192	7,851	8,917	103,764
Imports	7,155	5,300	6,077	6,093	6,122	4,712	5,283	5,574	5,697	5,992	6,626	5,240	69,871
Net Exports	4,013	4,610	4,567	3,081	3,778	2,009	2,130	1,217	1,386	2,200	1,225	3,677	33,893
Gold: Net Imports	171	305	513	604	290	236	236	516	392	403	466	464	4,596
Silver: Net Imports	735	1,153	2,197	1,131	638	599	630	727	655	746	323	581	10,115
Surplus of net Exports of Merchandise over net Imports of Treasure	3,107	3,152	1,857	1,346	2,350	1,174	1,264	*−26*	339	1,051	436	2,632	19,182
Bills sold in London on India	2,626	2,250	1,955	1,932	2,668	1,902	1,983	1,590	1,487	1,982	1,411	1,403	23,189
Price of Silver in London per oz.	42 1/16 to 7/16	42 3/8 to 1/2	42 5/8 to 3/4	42 5/16 to 1/16	42 1/4 to 41 15/16	42 3/16 to 42	42 5/16 to 42	42 9/16 to 1/2	42 1/16 to 3/8	43 1/2 to 42 5/8	44 3/8 to 43 1/2	44 3/8 to 43 3/4	42 11/16 average
Rate of Exchange per rupee: Highest	*d.* 16 23/32	16 23/32	16 11/32	16 13/32	16 3/8	16 3/16	16 9/32	16 11/32	16 3/8	16 13/32	16 13/32	16 23/32	16 3/16
Lowest	*d.* 16 5/16	16 1/2	16 5/16	16 5/32	16 1/16	16 1/16	16 1/4	16 9/16	16 1/2	16 5/16	16 3/32	16 11/32	16 1/16
Increase *or Decrease* of Paper Currency in circulation	124	*+446*	908	87	*−59*	476	252	*−348*	*−14*	492	38	*−1,201*	314
"Other Liabilities" in Banks of Bengal and Bombay at the end of the month	5,620	5,434	5,233	5,628	5,692	5,994	6,363	3,402	3,497	6,451	6,752	6,179	—
								Calcutta only.					

1890.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
Merchandise: Exports	10,455	9,787	11,176	11,370	9,943	7,108	7,491	6,347	6,373	6,970	7,142	8,586	102,748
Imports	6,126	5,235	6,497	5,424	5,895	6,286	5,153	6,504	5,622	6,382	6,388	5,907	71,419
Net Exports	4,329	4,552	4,679	5,946	4,048	822	2,338	*−157*	751	588	754	2,679	31,329
Gold: Net imports	565	259	184	322	554	655	469	466	180	570	502	691	5,417
Silver: Net Imports	1,224	1,803	1,881	1,919	796	106	922	1,664	2,466	1,716	312	1,465	16,274
Surplus of net Exports of Merchandise over net Imports of Treasure	2,540	2,490	2,614	3,705	2,698	61	947	*−2,287*	*−1,895*	*−1,698*	*−60*	523	9,638
Bills sold in London on India	2,178	1,540	2,342	3,996	1,951	1,277	1,474	1,150	748	1,161	1,306	1,530	20,653
Price of Silver in London, per oz.	44 7/16 to 1/16	44 1/8 to 43 5/8	44 1/8 to 43 3/4	43 to 43 7/8	47 1/8 to 46	49 to 46 1/4	50 5/16 to 47 9/16	54 1/2 to 50 3/4	54 1/8 to 50	51 1/2 to 48 1/8	48 3/4 to 45	49 1/2 to 47 1/4	47 1/16 average
Rate of Exchange, per rupee: Highest	*d.* 17 1/32	17 9/32	17 7/32	18 1/16	18 3/32	18 23/32	19 5/8	20 1/16	20 29/32	19 27/32	18 9/16	19 1/32	20 1/16
Lowest	*d.* 16 29/32	17	16 11/16	17 1/16	17 1/2	17 13/32	18 29/32	19 1/4	19 3/8	18 7/16	17 29/32	18 5/16	16 29/32
Increase *or Decrease* of Paper Currency in Circulation	823	83	*−604*	1,648	227	289	1,249	1,315	2,471	2,685	888	497	11,574
"Other Liabilities" in Banks of Bengal and Bombay at the end of the month	5,938	5,611	5,694	6,494	6,492	7,134	7,144	7,856	10,644	11,839	13,527	13,397	—

COMPARISON of NET EXPORTS with RATE OF EXCHANGE, &c., MONTHLY—*continued.*

(Figures in thousands of Rx.)

1891.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
Merchandise: Exports	9,427	8,949	10,509	10,317	10,179	10,060	8,430	7,019	8,052	8,358	6,877	8,280	106,457
Imports	7,263	5,070	6,082	6,155	4,941	5,787	4,900	5,243	6,225	6,101	6,339	6,002	70,108
Net Exports	2,164	3,879	4,427	4,162	5,238	4,273	3,530	1,776	1,827	2,257	538	2,278	36,349
Gold: Net Imports	726	154	347	430	223	448	126	305	478	402	446	79	4,164
Silver: Net Imports	725	1,165	919	2,144	769	*−65*	*−103*	90	640	153	577	1,244	8,258
Surplus of net Exports of Merchandise over net Imports of Treasure	713	2,560	3,161	1,588	4,246	3,890	3,507	1,381	709	1,702	*−485*	955	23,927
Bills sold in London on India	1,726	2,203	2,665	3,085	2,624	2,757	1,658	1,098	1,326	1,257	1,282	2,090	23,771
Price of Silver in London, per oz.	48⅜ to 46⅞	46⅞ to 44⅛	45 5/16 to 44⅜	45 to 43⅞	45⅛ to 44¼	46 to 44¼	46⅜ to 45⅝	46⅛ to 45 1/16	45 1/16 to 44¾	45 to 44 1/16	44 1/16 to 43½	44¾ to 43½	45⅛ average
Rate of Exchange per Rupee: Highest	*d.* 18 9/16	18	17⅜	17 3/32	17¼	17⅝	17⅝	17⅝	17¼	17 3/32	16 3/32	16¾	18 9/16
Lowest	*d.* 18¼	17	17 1/16	16¾	16¾	16 13/16	17⅜	17¼	17	16 3/32	16⅝	16⅝	16⅝
Increase *or Decrease* of Paper Currency in circulation	619	*−1,239*	*−731*	24	466	634	226	*−110*	*−688*	*−253*	*−114*	*−1,025*	*−2,191*
"Other Liabilities" in Banks of Bengal and Bombay at the end of the month	12,625	10,949	9,901	10,615	11,268	12,046	13,040	12,682	12,396	12,022	12,595	11,967	—

1892.

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.
Merchandise: Exports	9,064	10,528	11,056	10,333	10,579	7,905	7,003	6,937	7,372	7,313	8,203	9,615	105,908
Imports	5,852	5,682	6,204	5,670	5,255	4,727	4,159	5,631	5,408	5,467	6,018	5,943	66,016
Net Exports	3,212	4,846	4,852	4,663	5,324	3,178	2,844	1,306	1,964	1,846	2,185	3,672	39,892
Gold: Net Imports	*−24*	*−152*	*−348*	*−572*	*−161*	*−228*	*−246*	*−460*	*−579*	*−280*	*−237*	*−170*	*−3,457*
Silver: Net Imports	225	1,083	2,265	1,773	1,305	367	767	1,366	546	614	539	786	11,636
Surplus of net Exports of Merchandise over net Imports of Treasure	3,011	3,915	2,935	3,462	4,180	3,039	2,323	400	1,997	1,512	1,883	3,056	31,713
Bills sold in London on India	2,032	2,008	2,353	2,569	2,616	2,695	2,075	1,304	1,411	2,703	1,974	1,877	25,617
Price of Silver in London, per oz.	43¾ to 41¾	41 13/16 to ⅜	41⅝ to 39	40⅛ to 39¼	40⅜ to 39 11/16	41⅛ to 40 1/16	40¼ to 39 1/16	39 1/16 to 37⅞	38 5/16 to ⅜	39⅝ to 38⅛	39¼ to 38¾	39 5/16 to 37 15/16	39 13/16 average
Rate of Exchange per rupee: Highest	*d.* 16 23/32	16 1/16	16	15⅝	15½	15 23/32	15 13/32	15	14 11/16	15 3/32	15 1/32	14⅛	16 23/32
Lowest	*d.* 16	15 13/16	15 1/16	15 3/32	15 5/32	15 13/32	15	14⅝	14⅝	14⅝	14⅞	14 21/32	14⅝
Increase *or Decrease* of Paper Currency in circulation	*−2,226*	272	1,180	*−118*	1,318	1,492	1,692	604	*−97*	*−27*	*−112*	*−2,778*	1,201
"Other Liabilities" in Banks of Bengal and Bombay at the end of the month	10,670	9,112	8,307	8,885	8,573	9,751	10,346	10,771	11,473				

COMPARISON of the NET IMPORTS of SILVER into INDIA monthly, with the INCREASE in the PAPER CURRENCY and the RATE of EXCHANGE.

	Net Imports of Silver into India.	Increase *or Decrease* of Paper Currency in Circulation.	Rate of Exchange for Secretary of State's Bills.	
			Maximum.	Minimum.
1880.	Rx.	Rx.	*d.*	*d.*
January	744,617	431,671	20 5/16	20 1/8
February	702,527	*−947,410*	20 1/4	19 15/16
March	485,932	*−924,183*	20 1/8	19 7/8
April	706,132	527,538	20 1/16	19 13/16
May	234,966	211,739	20 1/8	20
June	685,065	543,381	20 3/8	20
July	418,446	271,432	20 5/16	20 1/8
August	324,874	*−162,397*	20 5/16	20 1/8
September	271,417	*−280,166*	20 3/16	20
October	181,125	85,075	20 1/8	19 15/16
November	158,759	893,710	19 7/8	19 3/4
December	142,166	*−121,146*	19 7/8	19 3/4
Total	5,056,026	529,244	20 3/8	19 3/4
1881.	Rx.	Rx.	*d.*	*d.*
January	208,639	*−205,507*	19 3/4	19 1/2
February	368,216	*−871,690*	20	19 9/16
March	192,770	152,040	20 1/8	19 15/16
April	226,924	*−545,907*	19 15/16	19 13/16
May	132,112	154,090	19 7/8	19 11/16
June	250,797	710,412	19 3/4	19 7/8
July	245,547	322,452	19 7/8	19 1/2
August	97,683	182,813	19 15/16	19 11/16
September	322,334	*−677,923*	19 7/8	19 13/16
October	174,489	*−156,551*	19 15/16	19 7/8
November	340,294	*−316,488*	19 15/16	19 7/8
December	390,952	72,818	20	19 7/8
Total	2,950,757	*−1,179,441*	20 1/8	19 7/16
1882.	Rx.	Rx.	*d.*	*d.*
January	674,649	243,892	20 1/8	19 15/16
February	1,074,550	350,285	20 1/16	20
March	1,457,718	165,549	20 1/4	20
April	1,571,453	202,740	20 5/16	20 1/8
May	1,289,781	472,676	20 3/16	20 1/16
June	541,345	238,453	20 1/8	20
July	410,004	377,758	20	20
August	641,214	*−265*	20 1/8	20
September	609,883	*−9,331*	20 1/16	20
October	529,495	538,714	19 15/16	19 7/8
November	415,226	436,491	20	19 1/8
December	529,165	*−92,982*	19 1/2	19 1/16
Total	9,744,483	2,923,980	20 5/16	19 1/16
1883.	Rx.	Rx.	*d.*	*d.*
January	262,204	*−793,439*	19 15/32	19 3/8
February	107,870	*−947,741*	19 9/32	19 15/16
March	573,506	86,156	19 23/32	19 1/2
April	450,506	*−1,157,669*	19 9/16	19 13/32
May	536,790	*−255,372*	19 1/2	19 11/32
June	352,577	*−82,910*	19 9/16	19 9/32
July	468,971	526,296	19 1/2	19 3/8
August	349,714	251,512	19 9/16	19 3/8
September	614,582	609,751	19 11/16	19 1/2
October	652,714	87,665	19 11/16	19 9/16
November	337,303	*−10,798*	19 17/32	19 7/16
December	56,851	*−1,089,414*	19 9/16	19 1/2
Total	4,763,588	*−2,775,963*	19 23/32	19 1/8
1884.	Rx.	Rx.	*d.*	*d.*
January	431,894	*−1,276,359*	19 11/16	19 1/2
February	423,626	146,718	20	19 5/8
March	1,729,804	500,713	19 27/32	19 1/2
April	822,920	*−414,091*	19 29/32	19 9/16
May	589,943	898,827	19 15/16	19 11/16
June	592,727	585,049	19 25/32	19 1/2
July	599,971	734,381	19 5/8	19 1/2
August	401,092	411,905	19 19/32	19 1/2
September	663,110	33,130	19 17/32	19 1/2
October	225,675	606,239	19 5/8	19 3/16
November	593,256	150,761	19 5/16	19 1/16
December	585,167	*−678,454*	19 5/32	18 15/16
Total	7,659,185	1,698,819	20	18 15/16

COMPARISON of NET IMPORTS of SILVER into INDIA monthly, &c.—*continued.*

	Net imports of Silver into India.	Increase *or Decrease* of Paper Currency in Circulation	Rate of Exchange for Secretary of State's Bills.	
			Maximum.	Minimum.
1885.	Rx.	Rx.	*d.*	*d.*
January	545,186	*−114,365*	19 3/16	18 15/16
February	822,769	*−436,145*	19 1/8	18 1/4
March	803,963	43,126	19	18 25/32
April	867,781	*−1,559,057*	19 13/32	18 1/4
May	2,029,946	520,085	19 21/32	18 13/16
June	1,244,696	1,324,941	19 3/32	18 29/32
July	504,935	*−359,287*	18 15/16	18 13/16
August	540,540	*−139,593*	18 31/32	18 1/8
September	1,244,275	1,184,015	18 9/16	18
October	280,521	165,472	18 11/32	18 5/32
November	750,074	*−76,052*	18 9/32	18 5/32
December	1,091,555	*−440,561*	18 9/32	17 31/32
Total	10,726,241	112,579	19 21/32	17 31/32
1886.	Rx.	Rx.	*d.*	*d.*
January	822,690	214,597	18 3/32	17 7/8
February	801,922	*−855,778*	18 1/16	17 7/8
March	1,425,895	*−382,414*	18 1/32	17 15/16
April	942,065	*−393,872*	18	17 3/4
May	348,522	389,383	17 25/32	17 17/32
June	559,581	*−368,228*	17 17/32	17 3/8
July	440,491	483,836	17 1/8	16 1/16
August	429,265	180,097	16 15/32	16 3/16
September	431,196	*−140,458*	17 15/32	16 15/32
October	705,487	228,032	17 21/32	17 3/16
November	562,174	146,156	18 1/32	17 5/8
December	221,672	*−266,640*	17 7/8	17 9/16
Total	7,690,960	*−785,289*	18 3/32	16 3/16
1887.	Rx.	Rx.	*d.*	*d.*
January	578,452	*−313,144*	18 7/32	17 3/4
February	903,954	*−24,068*	18 3/32	17 11/16
March	996,881	*−197,530*	17 3/8	17 1/16
April	1,011,919	139,620	17 5/16	16 3/4
May	406,926	*−113,214*	16 29/32	16 21/32
June	795,283	174,019	16 31/32	16 3/4
July	664,032	1,398,582	17 1/16	16 1/8
August	572,668	182,375	17 1/32	16 29/32
September	811,520	1,124,611	17 9/32	17
October	553,636	997,624	17 3/32	16 25/32
November	593,179	829,832	16 7/8	16 21/32
December	464,506	*−917,634*	17 7/32	16 7/8
Total	8,352,956	3,281,073	18 7/32	16 21/32
1888.	Rx.	Rx.	*d.*	*d.*
January	1,137,170	*−616,333*	17 1/16	16 15/16
February	1,050,407	*−626,307*	17	16 25/32
March	1,167,506	*−25,632*	16 25/32	16 15/32
April	1,164,134	115,939	16 17/32	16 1/4
May	573,576	485,044	16 1/32	16 1/32
June	716,459	663,738	16 7/32	16 1/16
July	532,773	366,213	16 9/32	16 1/16
August	643,049	*−363,585*	16 5/32	16 1/16
September	378,802	*−750,877*	16 1/16	16 5/32
October	416,382	*−204,508*	16 21/32	16 1/32
November	289,457	*−1,231,992*	16 19/32	16 15/32
December	447,708	*−352,038*	16 15/32	16 1/4
Total	8,517,423	*−2,540,338*	17 1/16	16 1/32
1889.	Rx.	Rx.	*d.*	*d.*
January	734,562	123,932	16 23/32	16 5/16
February	1,152,512	*−446,440*	16 23/32	16 1/2
March	2,197,115	908,008	16 19/32	16 5/16
April	1,131,462	87,507	16 15/32	16 5/32
May	638,025	*−58,756*	16 3/8	16 1/16
June	599,093	476,441	16 3/16	16 1/16
July	629,886	252,108	16 9/32	16 1/8
August	726,610	*−342,762*	16 11/32	16 3/16
September	654,811	*−14,262*	16 3/8	16 1/4
October	746,119	491,721	16 11/16	16 5/16
November	322,929	37,950	16 13/16	16 23/32
December	580,886	*−1,201,287*	16 31/32	16 13/16
Total	10,114,010	314,160	16 31/32	16 1/16

COMPARISON of the NET IMPORTS of SILVER into INDIA monthly, &c.—*continued.*

	Net Imports of Silver into India.	Increase *or Decrease* of Paper Currency in Circulation.	Rate of Exchange for Secretary of State's Bills.	
			Maximum.	Minimum.
1890.	Rx.	Rx.	*d.*	*d.*
January	1,224,282	822,932	$17\frac{19}{32}$	$16\frac{29}{32}$
February	1,802,673	82,878	$17\frac{9}{32}$	17
March	1,881,102	*−600,503*	$17\frac{7}{32}$	$16\frac{15}{16}$
April	1,919,240	1,647,782	$18\frac{1}{16}$	$17\frac{1}{16}$
May	796,370	227,321	$18\frac{3}{32}$	$17\frac{1}{2}$
June	105,986	289,002	$18\frac{23}{32}$	$17\frac{13}{16}$
July	922,563	1,249,120	$19\frac{3}{8}$	$18\frac{9}{32}$
August	1,663,592	1,314,750	$20\frac{15}{16}$	$19\frac{1}{2}$
September	2,466,243	2,471,385	$20\frac{29}{32}$	$19\frac{3}{4}$
October	1,715,698	2,684,809	$19\frac{27}{32}$	$18\frac{7}{16}$
November	311,816	887,614	$18\frac{9}{16}$	$17\frac{9}{32}$
December	1,464,670	497,142	$19\frac{1}{32}$	$18\frac{3}{16}$
Total	16,274,235	11,574,232	$20\frac{15}{16}$	$16\frac{29}{32}$
1891.	Rx.	Rx.	*d.*	*d.*
January	724,775	619,545	$18\frac{9}{16}$	$18\frac{1}{4}$
February	1,164,426	*−1,238,670*	18	17
March	918,956	*−731,131*	$17\frac{3}{8}$	$17\frac{1}{16}$
April	2,143,785	24,294	$17\frac{7}{32}$	$16\frac{3}{4}$
May	769,238	465,646	$17\frac{1}{4}$	$16\frac{3}{4}$
June	*−65,289*	633,814	$17\frac{5}{8}$	$16\frac{13}{16}$
July	*−102,763*	226,534	$17\frac{3}{4}$	$17\frac{3}{8}$
August	89,622	*−110,354*	$17\frac{1}{2}$	$17\frac{1}{4}$
September	640,175	*−687,646*	$17\frac{1}{4}$	17
October	152,917	*−253,024*	$17\frac{3}{32}$	$16\frac{29}{32}$
November	577,572	*−114,417*	$16\frac{27}{32}$	$16\frac{5}{8}$
December	1,244,196	*−1,025,288*	$16\frac{3}{4}$	$16\frac{5}{8}$
Total	8,257,610	*−2,190,697*	$18\frac{9}{16}$	$16\frac{5}{8}$
1892.	Rx.	Rx.	*d.*	*d.*
January	225,247	*−2,225,838*	$16\frac{21}{32}$	16
February	1,082,830	271,884	$16\frac{1}{16}$	$15\frac{13}{16}$
March	2,264,654	1,180,354	16	$15\frac{1}{16}$
April	1,773,689	*−118,265*	$15\frac{3}{8}$	$15\frac{3}{32}$
May	1,305,014	1,318,257	$15\frac{1}{2}$	$15\frac{5}{16}$
June	366,846	1,492,414	$15\frac{31}{32}$	$15\frac{13}{32}$
July	766,788	1,691,768	$15\frac{11}{32}$	15
August	1,366,638	604,457	15	$14\frac{5}{8}$
September	546,348	*−97,499*	$14\frac{11}{16}$	$14\frac{5}{8}$
October	614,081	*−26,559*	$15\frac{3}{16}$	$14\frac{5}{8}$
November	539,243	*−111,752*	$15\frac{1}{32}$	$14\frac{7}{8}$
December	786,244	*−2,778,318*	$14\frac{5}{8}$	$14\frac{25}{32}$
Total	11,637,622	1,200,903	$16\frac{21}{32}$	$14\frac{5}{8}$

Statement of the Affairs of the Bank of Bengal.

For the Week ending	Liabilities.			Assets.					
	Capital and Reserve.	Public Deposits: Liabilities to Government.	Other Liabilities.	Government Securities and other authorised Investments.	Advances: Loans and Credits.	Bills discounted.	Bullion.	Other Assets.	Cash and Currency Notes.
	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.
27th Jan. 1880	2,22,90,090 0 0	2,01,24,976 2 8	3,81,57,016 5 2	1,14,69,745 0 0	1,31,84,826 4 2	1,50,35,037 5 3	27,843 4 0	21,20,583 9 8	3,87,34,047 0 9
24th Feb. „	2,22,90,090 0 0	1,81,96,240 4 6	3,16,03,178 5 5	94,15,687 13 0	1,27,28,826 12 7	1,96,94,172 0 7	3,30,217 5 3	17,46,199 14 3	2,81,74,404 12 3
30th March „	2,22,90,090 0 0	1,43,24,269 4 6	3,12,35,233 2 4	77,09,145 0 0	1,31,55,329 2 10	2,15,86,457 0 3	25,340 1 6	17,10,413 3 4	2,36,62,907 14 11
27th April „	2,22,89,990 0 0	1,95,06,660 10 3	2,66,93,486 8 8	63,73,328 0 0	1,31,39,897 1 4	1,92,94,489 14 3	8,59,374 8 9	16,45,545 2 0	2,71,77,502 8 7
25th May „	2,22,89,940 0 0	1,99,72,880 2 9	2,78,13,230 10 3	63,09,524 0 0	1,65,55,509 15 6	1,83,59,914 1 4	89,779 12 8	17,47,123 3 6	2,70,14,199 12 0
29th June „	2,22,89,890 0 0	3,07,82,349 10 2	2,87,92,803 6 3	1,25,91,196 0 0	1,04,82,993 8 2	1,93,37,507 12 6	3,70,978 0 7	18,22,966 5 8	3,72,59,401 5 6
27th July „	2,22,89,615 0 0	4,07,63,027 9 5	2,94,47,623 10 2	1,35,44,372 0 0	1,15,10,445 8 11	2,02,68,792 15 8	62,380 7 8	18,95,853 6 0	4,52,18,421 3 11
24th Aug. „	2,22,89,615 0 0	2,78,63,835 15 6	3,16,68,773 11 3	1,36,88,925 0 0	1,06,83,988 4 6	1,68,59,394 13 0	55,768 0 2	20,13,895 6 10	3,85,20,253 2 3
28th Sept. „	2,22,89,415 0 0	2,48,42,824 15 6	3,26,94,038 7 6	1,27,65,281 8 0	1,13,49,585 14 7	1,18,73,010 9 2	31,575 11 2	18,78,421 3 5	4,19,28,403 8 8
26th Oct. „	2,22,89,269 0 0	1,87,29,679 5 10	3,89,58,957 3 10	1,33,90,473 0 0	1,03,64,896 3 1	1,20,28,585 6 2	56,199 11 9	19,17,397 2 5	4,22,20,354 2 3
23rd Nov. „	2,22,89,209 0 0	1,83,55,005 2 10	4,80,85,005 6 8	1,32,22,980 0 0	1,00,62,300 4 4	1,41,45,790 13 4	47,297 12 4	17,87,260 7 3	4,94,63,590 4 3
28th Dec. „	2,22,87,209 0 0	1,94,63,836 6 4	4,95,68,234 3 8	1,47,44,378 0 8	94,42,477 12 5	1,71,26,622 8 7	10,21,738 7 4	20,38,791 11 2	4,69,45,271 1 10
25th Jan. 1881	2,25,12,161 4 4	2,05,44,891 8 4	4,14,93,298 5 1	1,13,52,742 2 0	91,27,139 7 4	2,06,28,415 4 9	8,86,896 14 6	22,91,736 7 4	4,02,63,420 13 10
22nd Feb. „	2,25,12,161 4 4	2,19,19,776 9 2	3,29,44,932 2 6	1,05,94,371 9 0	92,08,770 1 4	2,46,30,390 3 0	4,71,138 6 4	23,90,296 13 0	3,00,81,902 15 4
29th March „	2,25,12,161 4 4	1,91,85,197 3 7	3,35,60,672 5 11	1,31,14,937 1 0	83,98,384 0 9	2,43,80,328 7 1	9,62,743 0 4	23,70,278 5 10	2,60,31,359 14 10
26th April „	2,25,12,161 4 4	2,33,51,580 14 4	2,90,40,190 1 8	1,34,52,614 6 0	1,04,48,753 2 9	2,23,48,111 1 3	8,96,873 13 5	21,56,756 4 1	2,56,00,823 8 10
23rd May „	2,25,12,161 4 4	1,91,64,000 3 2	3,05,51,003 14 6	1,47,40,998 0 0	85,96,475 10 8	2,07,22,801 12 2	7,26,219 8 2	22,00,518 0 11	2,52,40,152 6 1
28th June „	2,25,12,051 4 4	2,04,30,798 2 6	3,34,53,879 5 3	1,44,74,961 2 0	79,31,859 11 8	1,67,27,536 5 0	3,46,295 11 0	20,93,601 14 0	3,48,22,474 0 5
27th July „	2,25,12,001 4 4	2,25,24,639 1 8	4,06,72,678 12 1	1,52,40,836 4 0	82,00,657 15 7	1,69,28,577 0 7	2,81,976 7 2	21,55,792 9 3	4,29,01,478 13 6
30th Aug. „	2,25,12,001 4 4	3,15,34,821 0 10	2,93,45,143 10 2	1,67,66,586 7 0	1,05,28,841 2 5	2,35,00,423 13 1	1,08,041 6 3	23,81,838 4 9	3,01,06,234 13 10
20th Sept. „	2,25,11,966 4 4	2,56,95,761 11 0	2,98,30,316 9 3	1,47,23,290 0 0	1,28,16,945 1 5	2,19,03,996 4 4	2,15,173 12 3	24,06,234 11 8	2,59,72,404 10 11
25th Oct. „	2,25,11,966 4 4	2,14,83,465 8 11	2,67,91,232 7 8	1,46,20,971 8 0	1,55,85,606 12 5	1,51,04,731 13 7	3,64,082 11 9	21,49,162 14 10	2,29,62,108 8 4
29th Nov. „	2,25,11,966 4 4	2,29,30,537 3 10	2,68,34,550 3 1	1,28,86,175 0 0	1,46,18,400 14 8	1,90,22,715 5 1	2,75,208 1 4	21,89,347 8 4	2,32,85,206 13 10
27th Dec. „	2,25,11,966 4 4	2,47,13,739 0 3	2,61,42,322 2 2	1,09,28,604 4 0	1,74,56,463 10 1	2,22,68,149 4 4	8,04,345 0 10	23,73,950 10 8	1,95,96,514 8 10
23rd Jan. 1882	2,30,11,966 4 4	2,53,69,023 6 5	2,64,74,390 3 4	1,13,63,186 8 0	1,90,27,267 12 6	2,02,02,727 14 0	7,31,163 15 5	25,93,068 7 1	2,09,37,965 5 1
21st Feb. „	2,30,11,966 4 4	2,50,32,392 13 3	2,59,28,341 4 6	1,13,78,071 6 0	1,46,63,353 8 10	2,29,02,344 8 2	6,58,860 5 4	23,17,632 8 5	2,20,52,438 1 4
28th March „	2,30,11,966 4 4	2,38,91,149 12 6	2,66,81,244 10 6	1,03,10,831 8 0	1,96,98,914 11 5	2,20,69,188 4 8	11,15,929 15 3	23,24,988 2 6	1,80,64,508 1 6
25th April „	2,30,11,966 4 4	2,40,84,421 1 6	2,60,32,573 6 11	1,16,01,659 2 0	1,48,38,866 15 0	2,24,96,319 11 8	7,47,565 11 2	24,71,968 11 6	2,09,72,580 9 5
30th May „	2,30,11,966 4 4	2,15,11,897 10 6	2,49,71,007 6 0	1,22,27,199 4 0	1,21,06,591 1 4	2,21,02,149 3 1	9,15,479 6 11	23,07,623 0 8	1,98,35,779 4 10
27th June „	2,30,11,886 4 4	2,37,91,092 11 8	2,89,39,499 14 2	1,28,02,908 14 0	96,07,971 13 7	2,61,90,308 1 6	6,26,815 0 4	21,67,280 2 1	2,43,47,194 14 8
25th July „	2,33,11,886 4 4	2,91,81,426 10 10	2,71,05,974 13 1	1,32,30,372 10 0	97,04,697 14 8	2,57,99,640 13 6	4,89,230 12 6	20,82,584 15 4	2,82,92,760 10 3
29th Aug. „	2,33,11,886 4 4	2,41,20,758 5 9	2,84,98,806 7 10	1,21,21,473 12 0	90,65,161 10 0	2,49,33,547 8 3	36,270 8 9	24,55,451 14 5	2,73,19,545 12 6
26th Sept. „	2,33,11,886 4 4	2,28,33,972 6 5	3,13,26,312 15 10	1,08,83,759 14 0	86,37,154 13 3	2,20,61,533 9 2	6,80,569 3 11	23,76,018 14 10	3,28,33,115 3 5
31st Oct. „	2,33,11,791 4 4	2,49,84,790 5 9	3,23,72,129 1 6	95,79,009 4 0	83,94,173 4 1	2,36,62,875 1 7	1,57,302 0 1	25,14,303 8 2	3,63,61,047 9 8
28th Nov. „	2,33,11,756 4 4	2,17,84,314 1 1	2,62,20,812 5 10	1,19,11,791 4 0	99,37,159 7 8	2,37,93,161 15 9	43,841 3 2	22,52,610 11 0	2,33,78,318 1 8
23rd Dec. „	2,33,11,746 4 4	2,46,92,164 5 2	2,46,95,253 2 11	1,23,77,783 12 0	1,35,35,906 2 8	2,15,60,770 9 7	6,26,974 9 9	22,52,881 15 3	2,23,44,846 11 2
30th Jan. 1883	2,35,11,746 4 4	2,49,88,873 15 2	3,18,38,224 13 10	1,48,59,366 8 0	92,69,389 2 8	2,12,05,828 2 8	8,37,477 15 8	23,31,610 9 10	3,18,35,172 10 6
27th Feb. „	2,35,11,646 4 4	2,43,47,192 3 6	2,90,82,744 9 9	1,41,42,354 0 0	94,14,604 10 3	2,12,99,058 14 2	7,92,223 4 0	24,11,349 14 0	2,88,81,992 7 2

STATEMENT of the AFFAIRS of the BANK of BENGAL—*continued.*

For the Week ending	Liabilities.			Assets.					
	Capital and Reserve.	Public Deposits: Liabilities to Government.	Other Liabilities.	Government Securities and other authorised Investments.	Advances: Loans and Credits.	Bills discounted.	Bullion.	Other Assets.	Cash and Currency Notes.
	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.
27th March 1883	2,35,11,646 4 4	2,51,01,989 11 11	2,51,26,533 7 10	1,28,73,854 8 0	1,16,22,988 5 2	2,75,32,371 4 2	7,96,611 12 8	27,07,572 11 1	1,82,06,770 15 0
24th April „	2,35,11,646 4 4	2,94,41,808 14 0	2,74,95,941 7 9	1,26,21,444 8 0	1,39,05,238 6 10	3,00,39,503 14 2	6,90,555 9 0	27,54,166 3 2	2,04,38,488 0 11
29th May „	2,35,11,386 4 4	2,69,56,931 7 1	2,57,65,893 7 10	1,28,55,584 6 0	1,67,21,897 12 0	2,32,50,816 7 1	4,96,319 15 8	26,29,297 3 11	2,02,80,295 6 7
26th June „	2,35,10,886 4 4	2,50,87,831 8 4	2,51,43,160 14 10	1,23,69,337 10 0	1,70,81,569 2 0	1,85,75,309 1 5	4,91,815 13 8	23,17,045 3 9	2,29,06,801 12 8
31st July „	2,35,10,866 4 4	3,00,98,687 11 6	2,48,68,506 2 2	1,14,93,125 0 0	1,48,01,416 9 2	1,69,12,023 12 9	4,124 1 2	23,15,357 8 6	3,29,52,013 2 5
28th Aug. „	2,35,10,831 4 4	3,01,13,830 11 4	2,25,46,257 9 0	1,05,26,541 16 0	1,53,77,858 0 7	1,86,81,447 14 10	41,622 8 9	21,51,386 6 0	2,93,92,062 10 6
25th Sept. „	2,35,10,581 4 4	2,86,56,295 13 6	2,26,64,671 6 7	1,13,80,774 12 0	1,92,04,241 1 4	2,06,34,811 0 7	1,10,256 3 3	23,33,534 10 11	2,11,67,930 12 4
29th Oct. „	2,35,10,581 4 4	2,52,69,664 8 3	2,19,40,405 10 2	1,07,47,666 4 0	1,96,02,552 3 5	1,85,12,857 6 6	49,412 13 0	23,87,302 2 11	1,94,20,860 8 11
27th Nov. „	2,35,10,291 4 4	2,25,81,605 9 4	2,56,22,527 8 8	1,07,18,946 0 0	1,89,27,256 7 2	1,73,94,229 14 9	45,661 12 0	22,61,726 1 5	2,23,66,604 3 0
27th Dec. „	2,35,09,656 4 4	1,69,17,947 9 7	2,54,13,597 2 0	1,03,18,914 0 0	1,94,19,839 2 1	1,84,35,699 1 0	49,985 3 0	21,32,642 0 0	1,54,84,121 9 10
29th Jan. 1884	2,40,09,546 4 4	1,76,37,619 8 9	2,46,52,734 3 0	80,76,249 12 0	1,82,33,641 10 1	2,02,28,120 5 1	18,766 6 2	22,16,751 6 1	1,75,26,370 8 8
26th Feb. „	2,40,09,546 4 4	2,43,87,103 2 2	2,34,98,289 8 3	77,73,309 0 0	2,08,43,743 13 9	1,96,49,676 12 4	14,184 14 2	24,51,161 15 8	2,11,62,862 6 10
25th March „	2,40,09,546 4 4	2,27,59,011 3 9	2,36,42,071 10 4	80,11,835 0 0	2,17,53,164 12 6	1,88,34,135 11 11	18,583 9 2	23,98,187 10 1	1,93,94,722 6 9
29th April „	2,40,09,511 4 4	1,97,06,348 7 6	2,01,63,790 7 3	76,52,132 0 0	2,14,53,558 5 3	1,87,53,805 8 8	5,524 11 0	23,34,743 11 8	1,36,79,885 14 6
27th May „	2,40,09,511 4 4	2,11,67,109 1 3	2,11,74,486 1 0	88,72,455 0 0	1,86,69,764 8 2	1,90,16,281 12 6	4,360 3 0	25,29,756 9 7	1,72,58,488 5 4
24th June „	2,40,09,436 4 4	2,40,20,377 11 7	2,15,18,761 10 3	1,15,03,114 0 0	1,69,12,043 11 8	1,76,80,252 5 8	2,563 5 0	26,12,036 1 6	2,08,38,566 2 4
29th July „	2,41,59,436 4 4	2,23,15,065 12 11	2,47,08,236 6 7	1,24,21,221 0 0	1,58,79,565 15 3	1,49,18,243 2 1	2,036 4 0	25,16,641 4 7	2,54,45,030 13 11
26th Aug. „	2,41,59,351 4 4	1,82,14,610 3 7	2,60,99,228 0 4	1,20,00,319 8 0	1,51,92,053 6 0	1,40,18,555 12 8	1,159 6 0	26,52,006 6 9	2,46,09,095 0 10
23rd Sept. „	2,41,59,351 4 4	1,73,68,973 11 0	2,31,66,831 10 2	1,15,48,654 8 0	1,68,51,693 13 6	1,48,79,418 1 1	34,634 4 6	26,60,532 12 9	1,87,20,223 1 8
25th Oct. „	2,41,59,306 4 4	1,91,24,813 7 6	2,77,77,166 14 7	1,09,44,070 0 0	1,59,19,244 15 2	1,44,59,150 11 8	28,721 8 11	26,50,761 10 3	2,70,59,337 12 5
25th Nov. „	2,41,59,296 4 4	1,41,58,786 11 1	3,28,51,617 9 4	1,09,57,120 8 0	1,55,26,609 13 5	1,45,26,634 12 1	28,577 12 11	27,13,389 8 10	2,74,17,368 1 6
29th Dec. „	2,41,59,271 4 4	1,60,72,611 9 3	3,20,08,040 6 10	1,01,14,869 0 0	1,75,89,172 3 8	1,61,08,598 12 7	27,389 2 5	23,92,826 5 9	2,60,07,067 12 0
27th Jan. 1885	2,41,59,251 4 4	2,05,91,177 14 6	2,95,20,929 7 4	1,02,87,133 0 0	1,72,41,213 10 5	1,70,88,047 9 0	5,43,170 8 5	24,49,116 15 8	2,66,62,676 14 8
24th Feb. „	2,41,59,251 4 4	1,88,90,351 4 9	2,86,93,508 0 9	95,56,475 14 0	1,68,17,830 14 4	1,80,64,514 12 4	3,13,489 12 5	22,60,127 1 10	2,47,30,672 2 11
31st March „	2,41,58,181 4 4	1,99,96,214 7 7	3,07,91,073 14 8	1,00,16,073 8 0	1,85,43,446 8 11	1,78,74,155 15 8	23,645 15 1	21,58,236 8 4	2,63,29,911 2 7
28th April „	2,41,58,181 4 4	1,47,47,438 2 2	2,88,72,061 7 7	96,96,714 4 0	1,83,75,445 11 10	1,84,01,234 12 0	6,733 4 11	21,46,358 15 11	1,91,51,193 13 5
26th May „	2,41,58,181 4 4	1,55,24,767 0 6	2,86,73,922 11 7	1,01,47,732 6 0	1,93,41,324 5 0	1,51,45,180 12 0	2,93,855 7 4	19,48,927 2 4	2,14,79,850 15 9
29th June „	2,41,58,181 4 4	1,91,72,341 14 3	3,07,02,575 11 6	1,12,59,592 11 0	1,70,82,258 15 2	1,53,29,464 14 1	38,904 1 9	19,34,242 3 3	2,83,88,636 0 10
28th July „	2,41,58,181 4 4	2,14,16,834 7 2	2,85,38,547 5 7	1,14,96,124 8 0	1,52,23,947 10 3	1,54,52,891 13 9	35,607 1 9	21,94,761 5 0	2,97,10,230 10 4
25th Aug. „	2,41,58,159 4 4	2,07,40,145 15 10	2,96,31,047 13 4	1,22,58,636 2 0	1,50,32,251 7 4	1,64,67,380 1 6	32,827 8 9	21,87,219 0 8	2,85,50,939 7 11
29th Sept. „	2,41,58,024 15 0	2,01,63,368 3 1	3,65,98,468 5 6	1,26,75,296 12 0	1,61,43,182 1 4	1,66,82,980 6 9	26,431 10 3	21,71,800 7 10	3,32,20,170 1 5
27th Oct. „	2,41,58,024 15 0	1,98,83,619 0 7	3,69,40,283 8 5	1,23,32,057 10 0	1,84,84,872 10 0	1,77,66,706 6 6	21,349 10 0	27,71,133 3 10	2,96,05,807 15 8
24th Nov. „	2,41,57,624 15 0	1,64,32,987 10 9	4,24,09,487 1 8	1,17,06,119 9 0	1,75,43,776 3 5	1,65,01,964 11 10	1,59,296 0 5	24,53,067 14 8	3,46,35,875 4 1
29th Dec. „	2,41,57,264 15 0	1,40,45,485 12 11	3,93,28,991 14 11	1,17,51,455 4 0	1,78,91,452 12 8	1,43,44,459 9 9	4,955 6 8	23,72,814 7 9	3,11,66,605 2 0
26th Jan. 1886	2,41,56,764 15 0	1,67,68,960 6 5	4,19,54,137 13 9	1,11,01,316 4 0	1,87,71,187 14 1	2,08,40,459 7 4	5,145 5 3	26,35,259 10 3	2,95,26,494 10 3
23rd Feb. „	2,41,56,744 15 0	1,90,33,897 8 2	3,41,09,492 4 9	1,01,16,648 12 0	1,68,61,471 7 6	2,10,30,519 2 2	653 11 0	26,25,886 15 0	2,66,64,954 12 3
30th March „	2,41,56,694 15 0	1,74,84,907 5 8	3,53,62,037 1 1	1,00,11,170 12 0	1,86,17,393 9 9	2,23,15,221 2 3	6,073 11 4	27,75,394 15 1	2,32,78,385 3 4
27th April „	2,41,56,694 15 0	2,27,17,938 6 2	3,40,85,242 12 9	1,05,98,137 8 0	1,88,03,299 8 0	2,45,87,154 9 8	2,919 10 0	24,75,048 6 6	2,44,93,316 7 9

STATEMENT of the AFFAIRS of the BANK OF BENGAL—*continued.*

For the Week ending	Liabilities.			Assets.					
	Capital and Reserve.	Public Deposits : Liabilities to Government.	Other Liabilities.	Government Securities and other authorised Investments.	Advances : Loans and Credits.	Bills discounted.	Bullion.	Other Assets.	Cash and Currency Notes.
	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.
25th May 1886	2,41,56,684 15 0	2,44,61,576 4 2	3,24,03,820 8 2	1,11,57,556 6 0	1,94,90,816 3 9	2,53,97,392 9 8	18,577 3 7	27,65,222 2 5	2,21,92,517 1 11
29th June „	2,41,56,674 15 0	2,79,94,324 6 11	3,30,18,383 9 6	1,07,85,749 12 0	2,05,18,581 1 2	2,64,11,748 5 2	3,221 13 0	32,06,921 0 9	2,42,43,160 15 4
27th July „	2,43,56,674 15 0	2,98,26,909 13 9	3,29,23,721 11 2	1,19,95,959 8 0	1,91,88,588 6 4	2,62,70,758 6 7	3,033 1 9	30,62,066 6 0	2,65,86,900 11 3
31st Aug. „	2,43,56,664 15 0	2,70,13,359 14 10	3,41,70,780 14 8	1,06,31,041 12 0	1,91,76,806 4 2	2,24,44,512 9 3	2,648 15 0	29,65,499 1 4	3,03,20,297 2 9
28th Sept. „	2,43,56,664 15 0	2,72,56,042 8 2	3,42,38,632 1 10	1,15,17,239 4 0	2,16,21,568 10 10	2,19,73,795 6 0	1,836 10 6	30,90,837 1 2	2,76,46,062 8 6
23rd Oct. „	2,43,56,664 15 0	2,48,68,773 15 1	3,25,09,813 6 4	1,21,04,551 0 0	1,95,83,196 11 10	2,07,81,110 0 9	1,723 2 6	26,80,310 3 4	2,65,84,361 2 0
23rd Nov. „	2,43,56,664 15 0	1,94,99,725 8 6	3,42,50,907 6 8	1,42,50,865 8 0	1,64,02,849 1 10	2,03,83,311 10 7	1,984 6 6	26,40,330 8 10	2,44,27,936 10 5
28th Dec. „	2,43,56,604 15 0	2,50,50,290 12 5	3,44,55,467 10 5	1,43,38,937 0 0	1,68,08,437 8 1	2,06,82,628 11 8	2,749 15 6	25,06,461 8 7	2,95,29,148 10 0
25th Jan. 1887	2,46,56,604 15 0	2,30,73,078 0 8	3,42,80,485 12 2	1,30,87,199 8 0	1,78,68,590 1 6	2,05,76,062 2 10	1,294 8 6	22,17,913 1 5	2,83,09,109 5 7
22nd Feb. „	2,46,56,454 15 0	1,91,82,493 11 9	3,20,39,229 11 11	1,16,41,143 4 0	2,06,70,902 4 0	2,01,89,030 13 4	1,884 8 6	22,85,538 7 9	2,10,89,679 1 1
29th March „	2,46,56,364 15 0	1,82,46,574 14 7	3,58,08,086 8 11	1,10,64,220 12 0	2,04,74,828 3 11	2,38,08,066 9 0	5,393 12 6	23,40,210 14 2	2,10,18,306 2 11
26th April „	2,46,56,364 15 0	2,20,15,674 10 3	3,04,62,238 10 9	98,99,991 4 0	2,23,07,026 3 6	2,32,73,278 9 10	3,105 4 6	22,41,766 6 10	1,94,09,110 7 4
30th May „	2,46,56,364 15 0	1,97,56,807 7 5	3,09,75,046 1 1	1,05,81,140 12 0	1,86,97,681 15 7	2,40,69,871 15 10	2,298 6 6	27,30,013 14 2	1,93,07,211 7 5
28th June „	2,46,56,204 15 0	2,22,06,606 15 10	3,18,13,943 7 7	1,10,95,582 4 0	1,75,40,279 14 9	2,41,47,345 6 3	1,375 12 0	24,27,455 13 8	2,34,64,766 3 9
26th July „	2,48,56,179 15 0	2,50,73,440 7 2	3,54,37,839 14 2	1,11,24,670 9 0	1,67,20,488 8 11	2,18,96,652 5 6	1,375 12 0	25,10,964 4 7	3,31,13,308 12 4
30th Aug. „	2,48,53,329 15 0	1,95,88,894 10 7	3,96,93,236 15 9	1,35,84,748 12 0	1,51,19,232 9 3	1,91,79,656 13 0	2,541 12 9	26,02,426 13 1	3,36,46,854 13 3
4th Oct. „	2,48,53,094 15 0	1,80,43,048 9 8	4,25,77,979 14 9	1,50,90,018 3 8	1,40,80,849 15 6	1,82,61,353 3 1	1,040 5 0	28,55,718 5 2	3,52,49,474 1 2
1st Nov. „	2,48,52,869 15 0	1,75,23,403 1 2	4,26,24,562 4 4	1,54,83,955 8 4	1,32,53,944 9 2	1,90,31,552 8 3	1,346 12 1	26,89,400 14 5	3,45,40,635 0 3
29th Nov. „	2,48,52,759 15 0	1,69,82,566 7 2	4,51,89,656 11 2	1,55,24,883 11 4	1,35,37,603 2 0	1,72,47,143 15 5	842 12 6	26,54,035 14 1	3,80,60,473 10 0
27th Dec. „	2,48,52,759 15 0	1,54,54,947 6 10	4,13,23,130 11 4	1,38,67,044 1 4	1,47,91,754 4 7	2,03,07,045 7 3	1,727 0 6	26,27,995 7 1	3,00,35,271 12 5
31st Jan. 1888	2,50,52,759 15 0	1,80,09,935 12 11	3,99,81,148 1 10	1,24,63,514 1 0	1,70,06,798 7 9	2,58,45,523 12 6	1,219 12 6	34,47,614 0 0	2,42,79,173 12 0
28th Feb. „	2,50,52,743 15 0	1,80,40,712 3 4	3,84,58,552 6 3	1,18,26,361 15 0	1,57,26,067 12 7	2,59,46,510 11 7	6,093 3 6	31,40,995 13 7	2,49,05,979 0 4
27th March „	2,50,52,718 15 0	2,06,75,829 3 11	3,95,65,590 8 0	1,12,47,453 13 0	1,46,83,146 15 5	3,02,67,091 0 9	19,017 6 0	29,88,996 13 11	2,60,88,432 9 10
24th April „	2,50,52,708 15 0	2,04,73,847 5 3	3,98,00,549 15 4	1,18,38,992 5 0	1,34,38,144 10 4	3,22,89,502 2 10	368 6 0	28,21,959 6 1	2,49,38,139 5 4
29th May „	2,50,50,408 15 0	1,99,46,643 12 11	4,38,36,839 9 6	1,11,13,033 10 0	1,18,36,976 6 5	3,17,85,585 9 10	215 14 0	29,73,287 11 7	3,11,24,793 1 7
26th June „	2,50,50,398 15 0	2,22,20,110 14 1	4,38,97,377 11 2	1,07,55,237 14 0	1,30,16,976 2 4	2,74,04,344 8 8	255 5 0	26,77,575 10 7	3,73,13,497 15 8
31st July „	2,51,49,988 15 0	2,45,05,986 13 8	4,11,35,006 4 8	1,61,17,582 0 0	1,53,85,143 3 9	2,46,14,741 1 5	56 0 0	19,79,421 6 5	3,26,94,038 5 9
27th Aug. „	2,51,49,688 15 0	2,20,20,836 7 8	4,46,30,143 4 3	1,78,43,525 5 0	1,39,40,701 12 0	2,57,30,572 10 9	395 9 3	18,86,334 10 8	3,23,99,138 11 3
25th Sept. „	2,51,49,688 15 0	1,79,24,941 13 2	4,15,22,134 5 8	1,47,37,457 0 0	1,58,85,739 3 2	2,72,63,403 8 7	473 14 3	20,10,514 4 1	2,46,99,197 3 9
30th Oct. „	2,51,49,638 15 0	1,77,83,639 10 8	3,93,97,899 6 7	1,23,99,807 0 0	1,70,34,089 15 10	2,76,60,227 7 5	1,225 13 3	16,89,568 0 5	2,35,46,259 11 4
27th Nov. „	2,51,49,638 15 0	1,57,11,236 11 3	3,98,88,381 1 10	1,03,55,812 0 0	1,74,23,577 13 5	2,83,03,235 14 5	22,746 9 3	19,51,116 10 10	2,26,92,767 12 2
31st Dec. „	2,51,49,638 15 0	1,82,54,850 2 8	3,70,54,397 9 1	1,09,18,048 0 0	2,04,04,730 11 8	2,78,22,507 9 2	23,836 10 9	24,01,314 11 5	1,88,88,448 15 9
29th Jan. 1889	2,54,49,628 15 0	1,83,97,856 14 11	3,51,76,172 13 0	82,31,835 0 0	2,27,75,209 13 6	2,48,91,750 15 4	19,692 15 6	21,81,248 5 7	2,09,23,921 9 0
26th Feb. „	2,54,49,628 15 0	1,59,55,789 11 7	3,13,32,140 7 2	70,96,403 8 0	2,49,48,608 9 7	2,20,33,685 5 4	4,250 7 3	21,99,837 4 8	1,64,54,773 14 11
26th March „	2,54,49,598 15 0	1,65,73,000 8 4	2,95,73,317 14 0	68,65,165 12 0	2,38,32,796 12 9	2,44,08,152 6 9	16,910 8 1	23,18,249 14 3	1,41,54,641 15 6
30th April „	2,54,49,538 15 0	2,18,06,175 3 6	3,02,27,144 9 2	90,87,206 4 0	2,01,08,427 3 6	2,94,19,493 6 9	24,635 10 7	19,30,272 2 6	1,69,12,824 0 4
28th May „	2,54,49,528 15 0	2,29,90,612 6 0	3,07,37,854 9 0	94,50,930 0 0	1,91,84,993 1 7	2,84,19,030 0 7	2,46,733 8 9	21,27,102 15 5	1,97,49,206 3 8
25th June „	2,54,49,528 15 0	2,56,66,499 13 3	3,28,53,427 9 11	1,05,10,741 0 0	1,85,30,331 9 7	2,78,56,350 2 11	31,780 3 6	21,70,211 0 7	2,48,70,042 5 7

STATEMENT of the AFFAIRS of the BANK OF BENGAL—*continued.*

For the Week ending	Liabilities.			Assets.					
	Capital and Reserve.	Public Deposits: Liabilities to Government.	Other Liabilities.	Government Securities and other authorised Investments.	Advances: Loans and Credits.	Bills discounted.	Bullion.	Other Assets.	Cash and Currency Notes.
	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.	R. A. P.
30th July 1889	2,58,00,000 0 0	2,68,49,956 9 10	3,62,98,935 3 7	1,06,35,486 6 0	1,67,68,694 7 3	2,43,56,464 12 5	26,918 6 0	20,48,325 13 3	3,51,13,002 0 6
27th Aug. „	2,58,00,000 0 0	2,67,17,499 1 9	3,40,29,820 14 11	1,26,64,361 14 0	2,06,93,659 13 11	2,61,23,559 0 7	27,479 4 3	24,19,126 12 8	2,46,19,133 3 3
24th Sept. „	2,58,00,000 0 0	2,43,05,107 12 1	3,49,79,112 8 8	1,15,11,722 2 0	2,06,11,755 7 5	2,43,41,374 12 4	13,175 14 11	29,92,390 12 5	2,56,13,801 3 8
29th Oct. „	2,58,00,000 0 0	2,21,54,593 10 7	3,76,16,357 8 6	1,18,00,073 12 0	1,96,45,891 8 5	2,49,36,784 1 8	5,08,350 10 6	27,15,921 5 5	2,59,63,929 13 1
26th Nov. „	2,58,00,000 0 0	1,54,81,468 10 7	3,69,33,885 7 7	96,13,250 12 0	2,10,89,822 1 4	2,58,39,652 4 11	3,86,728 11 3	25,32,164 13 7	1,87,53,735 7 1
30th Dec. „	2,58,00,000 0 0	1,60,85,186 14 3	3,52,13,257 15 0	98,68,303 12 0	2,18,21,035 3 2	2,32,65,197 2 2	4,24,300 14 11	27,10,672 2 0	1,90,08,935 11 0
28th Jan. 1890	2,58,00,000 0 0	1,89,04,174 12 4	3,25,15,164 4 3	93,11,728 8 0	2,70,86,004 1 10	2,01,24,519 8 5	3,16,594 8 1	26,20,973 10 5	1,77,59,518 11 10
25th Feb. „	2,58,00,000 0 0	1,86,05,216 0 9	2,95,41,905 5 11	89,44,261 0 0	2,97,75,833 8 1	1,88,11,911 7 9	6,942 12 3	24,41,339 1 4	1,39,66,833 9 3
25th March „	2,58,00,000 0 0	1,85,52,686 13 4	3,06,83,656 11 10	83,53,418 8 0	3,18,02,339 11 8	1,80,56,687 6 11	5,254 6 4	21,63,494 15 8	1,46,55,148 8 7
29th April „	2,58,00,000 0 0	1,85,43,148 4 8	3,51,92,267 8 4	1,19,82,506 0 0	2,56,74,703 14 0	1,84,37,308 13 11	3,431 4 0	18,83,091 1 10	2,15,54,374 11 3
27th May „	2,58,00,000 0 0	1,79,38,168 12 10	3,50,83,476 12 11	1,49,60,078 8 0	2,27,65,637 11 5	1,79,10,956 7 2	3,044 4 0	18,39,638 11 2	2,13,42,290 0 0
24th June „	2,58,00,000 0 0	2,37,52,215 0 8	4,08,59,140 1 0	1,68,63,061 0 0	1,76,89,515 10 6	2,02,34,511 6 0	2,961 9 0	19,81,608 10 6	3,36,39,696 13 8
29th July „	2,47,00,000 0 0	2,23,66,805 0 2	4,29,32,470 6 11	1,67,52,829 0 0	1,49,44,299 4 1	1,59,19,622 12 6	2,762 4 0	30,50,334 4 4	3,93,29,427 14 2
26th Aug. „	2,47,00,000 0 0	2,21,61,603 11 0	4,70,44,572 8 0	1,96,80,387 5 4	1,30,57,851 7 4	1,17,67,001 10 2	2,745 5 0	27,28,567 13 9	4,66,69,622 9 5
30th Sept. „	2,47,00,000 0 0	2,01,69,391 11 3	6,04,90,560 4 0	2,20,10,041 14 0	1,24,00,494 1 11	1,24,43,482 5 4	3,133 12 0	26,55,572 3 9	5,58,47,227 10 3
28th Oct. „	2,47,00,000 0 0	1,75,97,856 12 2	6,52,30,720 9 7	2,05,79,405 12 0	1,25,10,673 2 5	1,43,36,385 3 5	5,37,907 6 1	27,88,797 0 7	5,67,75,408 13 3
25th Nov. „	2,47,00,000 0 0	1,74,47,457 9 10	7,45,60,457 1 6	1,95,35,407 4 0	1,34,48,750 15 8	1,51,40,478 8 0	10,37,459 13 11	25,59,360 0 10	6,49,85,958 0 11
29th Dec. „	2,47,00,000 0 0	1,97,59,184 8 6	7,09,95,600 3 7	2,08,81,880 12 0	1,20,69,401 14 11	1,62,42,045 2 6	10,36,670 1 5	26,03,511 10 6	6,26,21,275 2 9
27th Jan. 1891	2,47,00,000 0 0	1,75,56,361 4 1	6,03,65,284 7 3	2,08,11,842 6 0	1,22,78,194 9 4	1,75,80,100 8 6	10,35,561 2 1	31,23,579 4 3	4,77,92,367 13 2
24th Feb. „	2,47,00,000 0 0	1,64,03,833 3 2	6,15,27,549 14 5	1,67,88,776 2 0	1,43,76,851 0 4	2,16,08,292 2 4	10,44,364 8 11	31,67,502 11 3	4,56,45,596 8 9
31st March „	2,47,00,000 0 0	2,01,59,164 0 11	5,94,37,985 3 2	1,69,69,128 12 0	1,72,84,823 14 11	2,49,92,428 2 8	10,63,922 10 5	32,67,796 4 7	4,07,69,049 7 6
28th April „	2,47,00,000 0 0	2,21,13,145 1 3	6,09,11,490 0 1	1,79,14,155 12 0	1,44,41,934 1 0	2,67,39,236 4 11	10,50,377 13 8	39,41,251 9 6	4,36,37,679 8 3
26th May „	2,47,00,000 0 0	2,15,95,595 13 4	7,12,31,403 9 4	1,90,23,709 4 0	1,49,95,951 7 6	2,58,11,635 5 8	10,39,041 10 8	34,80,783 2 0	5,31,75,878 8 10
30th June „	2,47,00,000 0 0	2,75,29,090 1 2	7,39,34,066 8 7	2,13,48,035 8 0	1,41,55,043 7 6	2,12,63,766 11 7	10,37,258 3 11	34,94,541 6 11	6,48,64,501 3 10
28th July „	2,47,00,000 0 0	2,10,93,584 3 0	7,64,91,116 11 5	1,87,11,097 4 0	1,36,97,169 11 3	1,80,80,187 11 6	10,38,638 0 11	43,28,247 8 0	6,64,29,370 10 9
24th Aug. „	2,47,00,000 0 0	2,16,83,279 5 4	7,70,19,426 1 5	2,05,51,795 12 0	1,28,41,711 9 6	1,47,24,942 6 6	9,45,795 2 5	42,02,422 12 6	7,01,36,037 11 10
29th Sept. „	2,47,00,000 0 0	2,07,10,080 0 10	6,56,73,486 6 9	2,04,87,084 4 0	1,36,33,031 1 1	2,07,55,585 3 1	10,41,458 0 1	42,57,663 3 8	5,09,08,694 11 8
27th Oct. „	2,47,00,000 0 0	1,76,72,370 4 7	6,94,89,686 0 4	1,77,79,753 4 0	1,55,62,964 12 0	2,16,52,721 14 10	12,21,848 9 7	38,67,589 5 8	5,17,76,078 6 10
24th Nov. „	2,47,00,000 0 0	1,43,57,989 14 6	7,19,60,820 15 9	1,72,31,004 8 0	1,62,76,499 9 6	2,12,81,638 2 2	9,53,696 10 4	38,65,992 6 0	5,14,09,979 10 3
29th Dec. „	2,47,00,000 0 0	1,64,18,257 0 8	6,60,66,550 13 3	1,79,02,114 4 0	1,61,93,899 12 10	2,26,43,458 2 2	18,23,783 12 0	40,82,164 9 9	4,45,39,387 5 2
26th Jan. 1892	2,47,00,000 0 0	1,66,80,291 6 1	6,36,98,429 1 5	1,20,62,804 8 0	2,09,37,799 5 2	2,67,27,279 9 1	16,21,896 11 6	45,82,198 11 2	3,91,46,741 10 7
23rd Feb. „	2,47,00,000 0 0	1,84,06,849 13 9	5,85,06,220 7 0	95,47,722 0 0	2,53,20,701 14 2	2,80,46,291 12 10	8,67,548 8 9	35,93,779 8 8	3,42,37,026 8 4
29th March „	2,47,00,000 0 0	2,17,48,438 5 2	4,83,55,805 12 5	1,20,87,465 0 0	2,34,56,707 13 8	2,61,99,567 4 5	5,88,843 7 0	30,68,846 15 5	2,94,02,813 9 1
26th April „	2,47,00,000 0 0	2,03,08,354 12 11	5,09,22,079 4 1	1,50,94,330 8 0	2,54,03,568 5 9	2,86,16,613 2 4	4,48,536 4 10	35,79,713 12 9	2,27,87,671 15 4
31st May „	2,47,00,000 0 0	1,98,42,981 1 9	5,02,93,080 12 8	1,91,70,441 0 0	2,24,54,864 11 5	2,07,31,927 7 4	4,33,086 10 7	36,13,465 3 0	2,84,32,276 14 1
28th June „	2,47,00,000 0 0	1,75,98,538 11 8	5,63,19,486 6 4	1,87,97,304 8 0	2,40,97,747 1 11	1,79,84,980 6 0	1,55,287 3 8	31,92,301 12 0	3,43,90,404 2 5
26th July „	2,48,00,000 0 0	1,90,34,078 5 11	5,88,20,156 5 0	1,87,94,997 0 0	1,73,91,720 5 0	1,71,99,408 4 2	1,61,901 1 5	33,88,250 3 7	4,57,17,957 12 9
30th Aug. „	2,48,00,000 0 0	1,77,68,113 4 11	6,30,59,567 12 2	1,71,10,667 0 0	1,47,18,297 5 1	1,57,67,897 6 1	1,58,700 8 6	36,10,076 11 8	5,42,62,042 1 9
13th Sept. „	2,48,00,000 0 0	1,58,85,905 15 5	6,25,02,129 12 4	1,67,11,293 4 0	1,56,94,532 8 6	1,61,67,810 6 4	1,22,961 2 6	35,44,280 12 1	5,09,47,157 10 4

Statement of the Affairs of the Bank of Bombay.

For the Week ending	Liabilities.			Assets.					
	Capital and Reserve.	Public Deposits: Liabilities to Government.	Other Liabilities.	Government and other authorised Securities.	Advances: Credits and Loans.	Bills discounted.	Bullion.	Other Assets.	Cash and Currency Notes.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
26th Jan. 1889	1,26,50,000	77,79,906	2,10,32,792	38,20,238	80,28,435	2,04,84,225	25,000	3,52,407	87,52,393
23rd Feb. ,,	1,26,50,000	83,56,432	2,30,11,893	37,91,398	1,38,97,456	1,70,35,042	—	3,55,881	89,38,548
30th March ,,	1,26,50,000	99,06,832	2,27,52,420	42,09,557	1,34,77,536	1,62,68,595	—	3,60,636	1,09,92,928
27th April ,,	1,26,50,000	92,79,688	2,60,57,866	42,50,534	1,33,19,866	2,14,29,882	—	3,57,925	86,29,347
1st June ,,	1,26,50,000	83,52,336	2,61,78,964	39,49,525	1,02,94,109	2,19,09,194	—	3,57,757	1,06,70,715
29th June ,,	1,26,50,000	78,73,721	2,70,87,443	47,66,321	1,00,63,002	2,02,65,121	—	3,55,430	1,21,61,290
27th July ,,	1,29,50,000	89,94,735	2,73,30,007	56,68,372	85,31,780	1,93,85,865	10,000	3,46,259	1,53,32,466
* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *	* * *
26th Oct. ,,	1,29,50,000	79,40,420	2,68,90,314	65,45,879	91,68,810	1,33,94,870	—	3,43,716	1,83,27,459
30th Nov. ,,	1,29,50,000	82,11,039	3,05,83,358	65,21,533	73,71,621	1,82,08,716	—	3,57,339	1,92,85,188
28th Dec. ,,	1,29,50,000	92,66,972	2,65,80,632	74,55,961	99,47,614	2,25,64,064	—	4,02,228	84,27,737
25th Jan. 1890	1,30,00,000	71,51,268	2,68,65,495	67,50,649	1,08,12,107	2,02,60,429	—	3,97,626	87,95,952
22nd Feb. ,,	1,30,00,000	80,75,827	2,65,71,757	48,33,876	1,52,97,333	1,92,48,427	—	3,97,708	78,70,240
28th March ,,	1,30,00,000	1,29,71,319	2,62,54,610	50,33,338	2,09,87,550	1,73,29,839	—	3,98,472	84,76,730
26th April ,,	1,30,00,000	1,03,01,953	2,97,52,479	59,61,242	1,85,51,762	1,52,01,549	—	3,98,256	1,29,41,623
31st May ,,	1,30,00,000	95,98,963	2,98,39,428	70,33,501	1,80,78,756	1,68,49,266	50,827	3,98,650	1,00,27,391
28th June ,,	1,30,00,000	71,64,819	3,04,82,056	71,56,737	1,41,58,388	1,70,11,044	4,99,146	3,96,159	1,14,25,401
26th July ,,	1,33,00,000	71,56,571	2,85,09,539	73,85,674	1,03,32,049	1,37,54,915	—	4,17,126	1,70,76,346
30th Aug. ,,	1,33,00,000	88,15,733	3,15,19,485	84,43,344	1,17,38,330	95,59,635	—	4,14,318	2,34,79,591
27th Sept. ,,	1,33,00,000	90,23,630	4,59,45,721	82,58,028	89,40,730	83,77,003	—	4,14,455	4,22,79,135
25th Oct. ,,	1,33,00,000	74,83,520	5,31,56,922	78,56,290	53,66,585	94,17,909	—	4,28,956	5,08,70,702
29th Nov. ,,	1,33,00,000	76,37,176	6,07,14,040	87,57,899	49,00,425	1,19,22,736	—	4,24,156	5,56,46,000
27th Dec. ,,	1,33,00,000	87,13,756	6,29,75,909	78,52,543	31,96,208	1,47,33,977	—	4,24,443	5,87,80,494
31st Jan. 1891	1,33,50,000	78,12,893	6,58,86,663	1,08,66,936	58,94,230	1,65,86,480	3,59,842	4,18,332	5,29,28,676
28th Feb. ,,	1,33,50,000	96,16,417	4,79,64,189	85,64,636	1,15,17,775	1,93,34,245	—	4,19,483	3,10,94,467
26th March ,,	1,33,50,000	1,06,13,591	3,95,73,595	63,63,617	1,40,50,356	1,78,89,955	3,95,552	4,20,569	2,44,17,137
25th April ,,	1,33,50,000	1,08,80,227	4,52,40,485	80,62,388	1,63,79,230	1,73,66,780	4,93,555	4,22,149	2,62,46,610
30th May ,,	1,33,50,000	96,35,348	4,14,46,259	1,05,52,798	1,42,14,678	1,54,43,371	7,69,132	4,21,465	2,30,31,163
27th June ,,	1,33,50,000	92,25,080	4,65,21,002	1,11,55,442	1,53,53,584	1,29,01,765	3,11,827	4,15,647	2,89,57,817
25th July ,,	1,34,00,000	79,92,651	5,39,08,216	1,16,56,205	1,86,05,704	88,53,206	—	4,10,633	3,57,75,119
29th Aug. ,,	1,34,00,000	82,89,750	4,97,96,231	1,21,35,014	1,56,02,689	74,66,180	—	4,11,712	3,58,70,386
26th Sept. ,,	1,34,00,000	98,65,873	5,82,83,492	1,24,85,159	1,48,40,546	87,11,870	—	4,12,506	4,50,99,284
30th Oct. ,,	1,34,00,000	78,87,789	5,07,34,371	1,28,87,886	1,49,22,403	1,06,59,485	—	4,13,715	3,31,38,671
28th Nov. ,,	1,34,00,000	84,44,104	5,39,90,750	1,28,51,466	1,37,09,536	1,18,24,381	—	4,12,543	3,70,36,928
26th Dec. ,,	1,34,00,000	74,71,586	5,36,04,336	1,30,10,148	1,41,02,923	1,37,95,788	—	4,13,577	3,31,53,486
30th Jan. 1892	1,34,50,000	75,78,508	4,30,02,728	1,09,03,561	1,67,32,911	1,73,06,305	3,00,003	4,14,274	1,83,74,182
27th Feb. ,,	1,34,50,000	89,79,958	3,26,12,779	71,87,926	1,60,25,786	1,74,67,343	689	4,14,353	1,39,46,640
2nd April ,,	1,34,50,000	1,25,91,465	3,47,19,133	1,21,05,405	1,63,81,915	1,68,25,636	—	4,14,872	1,50,32,770
30th April ,,	1,34,50,000	1,29,11,368	3,79,28,209	1,26,04,897	1,79,99,525	1,38,52,735	1,02,907	4,14,990	1,93,14,523
28th May ,,	1,34,50,000	1,20,62,116	3,54,33,938	1,23,01,168	1,65,42,916	1,19,54,913	2,26,995	4,17,856	1,95,02,206
25th June ,,	1,34,50,000	1,01,00,476	4,11,94,516	1,14,10,109	2,19,46,245	94,07,733	2,89,710	4,17,332	2,12,73,863
30th July ,,	1,36,50,000	96,10,007	4,46,42,945	1,28,83,155	2,21,46,912	68,03,704	—	4,08,960	2,56,60,518
27th Aug. ,,	1,36,50,000	1,17,52,187	4,46,54,381	1,12,05,794	1,91,32,407	60,95,853	—	4,08,444	3,32,14,070
15th Sept. ,,	1,36,50,000	83,47,231	5,22,26,587	1,20,74,105	1,47,98,277	72,26,488	—	4,08,142	3,97,16,806

Coinage.

——	1870–71 to 1874–75.	1875–76 to 1879–80.	1880–81 to 1884–85.	1885–86 to 1889–90.	1890–91.	1891–92.
Total Amount.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
Gold	80,982	47,601	77,784	68,246	—	24,801
Silver	14,656,411	42,469,404	22,402,040	41,553,941	13,163,474	5,553,974
Copper	167,667	515,118	377,885	674,797	178,309	166,317
Total	14,904,960	43,032,123	22,857,709	42,296,984	13,341,783	5,745,092
Annual Average.						
Gold	16,176	9,520	15,557	13,649	...	24,801
Silver	2,931,282	8,493,881	4,480,408	8,310,788	13,163,474	5,5539,74
Copper	33,534	103,024	75,577	134,959	178,309	166,317
Total	2,980,992	8,606,425	4,571,542	8,459,396	13,341,783	5,745,092

Paper Currency.

Amount of currency notes in circulation on the 31st of March:—

	Rx.
1871	10,437,291
1872	13,167,917
1873	11,135,061
1874	9,249,761
1875	11,236,438
1876	10,999,927
1877	11,617,811
1878	13,574,750
1879	11,423,645
1880	12,357,727
1881	13,401,736
1882	13,907,178
1883	14,506,408
1884	12,756,541
1885	14,576,904
1886	14,173,272
1887	13,876,836
1888	16,424,379
1889	15,737,813
1890	15,771,780
1891	25,690,449
1892	24,076,408
1893	26,401,820

On the 31st of August 1892 it was 29,065,039, the highest point yet reached.

The fiduciary reserve was raised in 1872–73 from about 4 crores to 5¾ crores, and in 1879–80 to approximately 6 crores, at which point it remained until by Act XV. of 1890 power was obtained to increase it to an amount not exceeding 8 crores. In 1891 the amount of securities held in the Reserve was raised to approximately 7 crores, and in March 1892 to the maximum of 8 crores permissible.

Paper Currency Reserve in India.

Silver Bullion in the Paper Currency Reserve.

	Average. Rx.
1870–71 to 1874–75	1,468,771
1875–76 to 1879–80	1,319,060
1880–81 to 1884–85	793,602
1885–86 to 1889–90	1,095,994
1890–91	788,374

Constitution of the Paper Currency Reserve.

——	31st March 1890.	31st March 1891.	31st March 1892.	Maximum, 31st Aug. 1892.	31st March 1893.
	Rx.	Rx.	Rx.	Rx.	Rx.
Silver coin	8,350,298	17,902,079	14,298,839	18,386,342	17,538,574
Silver bullion	1,421,484	788,374	1,777,569	2,678,697	868,246
Securities	5,999,998	6,999,996	8,000,000	8,000,000	8,000,000
Deduct, outstanding (received at Calcutta but not paid at Bombay).	—	—	—	—	*—5,000*
Total of notes in circulation	15,771,780	25,690,449	24,076,408	29,065,039	26,401,820

SALE of BILLS and TELEGRAPHIC TRANSFERS on INDIA.

Years.	Value of Bills, &c., sold.	Sterling Amount obtained.	Rates of Exchange.			Exchange on Net Expenditure in England charged on the Revenues.	Total Charge for Exchange, including Sums paid in India on Remittance Account, and for Additional Payment to British Soldiers, and Amount incurred on Capital Expenditure in England.
			Maximum.	Minimum.	Average.		
	Rupees.	£	s. d.	s. d.	s. d.	Rx.	Rx.
1870–71	9,00,85,000	8,443,509	1 11⅜	1 10¼	1 10·495	In these years the figures entered cannot be properly compared with those shown in the present Accounts.	
1871–72	10,70,00,000	10,310,339	1 11¾	1 10⅜	1 11·126		
1872–73	14,70,25,000	13,939,095	1 11½	1 10⅜	1 10·754		
1873–74	14,26,57,000	13,285,678	1 11¼	1 9½	1 10·351		
1874–75	11,74,37,000	10,841,614	1 11	1 9¾	1 10·156		
Total	60,42,04,000	56,820,235					
Average	12,08,40,800	11,364,047					
1875–76	13,75,00,000	12,389,613	1 10 1/16	1 9	1 9·626	1,377,428	1,516,607
1876–77	14,89,00,000	12,695,799	1 10½	1 6½	1 8·508	2,252,611	2,563,467
1877–78	11,69,85,000	10,134,455	1 10	1 8 3/16	1 8·791	2,123,030	2,447,124
1878–79	16,91,23,612	13,948,565	1 8¾	1 6⅝	1 7·794	2,891,902	3,265,082
1879–80	18,35,00,000	15,261,810	1 8¾	1 7	1 7·961	2,878,169	3,066,705
Total	75,60,08,612	64,430,242					
Average	15,12,01,722	12,886,048					
1880–81	18,32,77,000	15,239,677	1 8⅜	1 7½	1 7·956	2,264,848	2,388,047
1881–82	22,21,09,350	18,412,429	1 8¼	1 7⅜	1 7·895	2,421,499	2,603,372
1882–83	18,58,56,593	15,120,521	1 8⅛	1 7	1 7·525	3,050,923	3,604,788
1883–84	21,62,15,462	17,599,805	1 8	1 7¼	1 7·536	3,375,158	3,541,112
1884–85	17,10,22,118	13,758,909	1 7 31/32	1 6¾	1 7·308	3,363,986	3,798,560
Total	97,84,80,523	80,131,341					
Average	19,56,96,105	16,026,268					
1885–86	13,53,25,369	10,292,692	1 7 21/32	1 5⅞	1 6·254	4,329,888	4,854,137
1886–87	16,70,03,150	12,136,279	1 6⅛	1 4⅛	1 5·441	5,329,714	6,129,581
1887–88	21,81,23,993	15,358,577	1 5⅞	1 4⅜	1 4·898	6,356,939	6,518,419
1888–89	20,89,91,221	14,262,859	1 4¾	1 4	1 4·379	6,817,599	6,729,387
1889–90	22,41,86,638	15,474,496	1 5½	1 4	1 4·566	6,512,767	7,141,571
Total	95,36,30,371	67,524,903					
Average	19,07,26,074	13,504,981					
1890–91	21,18,69,300	15,969,034	1 8 29/32	1 4 15/16	1 6·090	4,959,055	5,737,638
1891–92	23,57,14,369	16,401,538	1 5¾	1 3 1/16	1 4·733	6,825,209	7,604,700
1892–93	25,98,97,896	16,224,531	1 3 31/32	1 2⅝	1 2·982	9,811,400*	10,345,000*

* Revised Estimate.

REVENUE and EXPENDITURE of the GOVERNMENT of INDIA.

Year.	Average Rate of Exchange on Bills drawn on India.	In India.			In England.		Final Result.
		Net Revenue.	Net Expenditure, excluding Exchange.	Surplus Revenue.	Net Sterling Expenditure.	Exchange.	Surplus or *Deficit.*
	d.	Rx.	Rx.	Rx.	£	Rx.	Rx.
*1868-69 -	23·197	37,143,438	27,712,100	9,431,338	11,845,569	409,986	*-2,824,217*
*1869-70 -	23·267	38,617,366	26,348,783	12,268,583	11,805,756	371,888	90,939
*1870-71 -	22·495	39,593,193	25,160,127	14,433,066	12,370,966	827,794	1,234,306
*1871-72 -	23·126	40,229,071	24,371,384	15,857,687	12,304,590	465,030	3,088,067
*1872-73 -	22·754	40,576,761	25,583,684	14,993,077	12,536,118	686,568	1,770,391
*1873-74 -	22·351	39,265,776	27,927,039	11,338,737	12,266,994	904,974	*-1,833,231*
*1874-75 -	22·156	39,564,216	25,897,098	13,667,118	12,562,101	1,045,239	59,778
1875-76 -	21·626	40,053,419	24,541,923	15,511,496	12,544,813	1,377,428	1,589,255
1876-77 -	20·508	38,253,366	25,355,285	12,898,081	13,229,646	2,252,611	*-2,584,176*
1877-78 -	20·791	39,275,489	27,658,021	11,617,468	13,756,478	2,123,030	*-4,262,040*
1878-79 -	19·794	44,415,139	25,778,928	18,636,211	13,610,211	2,891,902	2,134,098
„ † -	19·794	44,415,139	25,178,819	19,236,320	13,534,101	2,875,730	2,826,489
1879-80 -	19·961	45,258,197	29,384,030	15,874,167	14,223,891	2,878,169	*-1,227,893*
„ † -	19·961	45,258,197	24,792,386	20,465,811	14,049,411	2,842,864	3,573,536
1880-81 -	19·956	44,691,119	34,880,434	9,810,685	11,177,231	2,264,848	*-3,631,394*
„ † -	19·956	44,691,119	24,185,115	20,506,004	13,801,668	2,796,639	3,907,697
1881-82 -	19·895	45,471,887	27,717,249	17,754,638	11,737,688	2,421,499	3,595,451
„ † -	19·895	45,471,887	26,440,093	19,031,794	14,029,685	2,894,340	2,107,769
1882-83 -	19·525	42,526,173	25,500,437	17,025,736	13,299,976	3,050,923	674,837
„ † -	19·525	42,526,173	24,391,129	18,135,044	13,692,165	3,140,888	1,301,991
1883-84 -	19·536	43,591,273	23,566,381	20,024,892	14,770,257	3,375,158	1,879,477
„ † -	19·536	43,591,273	23,522,215	20,069,058	14,764,095	3,373,750	1,931,213
1884-85 -	19·308	41,585,347	24,763,779	16,821,568	13,844,028	3,363,986	*-386,446*
1885-86 -	18·254	42,635,953	27,352,132	15,283,821	13,755,659	4,329,888	*-2,801,726*
1886-87 -	17·441	44,804,774	25,124,335	19,680,439	14,172,298	5,329,714	178,427
1887-88 -	16·898	45,424,150	25,968,025	19,456,125	15,128,018	6,356,939	*-2,028,832*
1888-89 -	16·379	46,558,354	25,051,147	21,507,207	14,652,590	6,817,599	37,018
1889-90 -	16·566	50,005,810	26,367,855	23,637,955	14,513,155	6,512,767	2,612,033
1890-91 -	18·090	49,403,819	25,579,727	23,824,092	15,176,866	4,959,055	3,688,171
1891-92 -	16·733	50,023,142	27,013,618	23,009,524	15,716,780	6,825,909	467,535
Revised Estimate, 1892-93	15·000	51,530,600	26,448,900	25,081,700	16,352,200	9,811,400	*-1,081,900*
Budget, 1893-94 - -	14·750	50,172,200	26,302,400	23,869,800	15,650,300	9,814,600	*-1,595,100*

* For the years 1868-69 to 1874-75 the figures relating to transactions in India are approximate, as the Accounts have not been re-cast with the present mode of reckoning exchange on transactions in India.

† Omitting expenditure and receipts on account of military operations in Afghanistan and Egypt.

INCREASE of REVENUE. (See paragraph 44 of the Report.)

Since March 1882, when the great remission of taxation took place in India, the net revenues have increased to the following extent :—

	1882–83.	Revised Estimate, 1892–93.	Increase in Ten Years.
Taxation proper.	Rx.	Rx.	Rx.
Salt	5,675,000	8,149,000	
Stamps	3,209,000	4,268,000	
Excise	3,475,000	4,979,000	
Provincial Rates	2,613,000	3,579,000	
Customs	1,089,000	1,418,000	
Assessed Taxes	484,000	1,636,000	
Registration	100,000	218,000	
	16,645,000	24,247,000	7,602,000
Other Sources of Revenue.			
Land Revenue	18,742,000	20,845,000	
Opium	7,216,000	6,371,000	
Forest	367,000	729,000	
Tributes	690,000	799,000	
Assignments and Compensations	*—1,195,000*	*—1,518,000*	
	25,820,000	27,226,000	1,406,000
Total Net Revenue	42,465,000	51,473,000	
Receipts which are a set-off against Expenditure.			
Railways: net traffic receipts, less payment of surplus profits to Companies.	6,713,000	10,630,000	
Irrigation: Major Works: net receipts	891,000	1,422,000	
Post Office: net receipt	*—240,000*	96,000	
Telegraph „	*—96,000*	287,000	
Mint „	95,000	231,000	
	7,363,000	12,666,000	5,303,000
Grand Total	49,828,000	64,139,000	14,311,000

NET EXPENDITURE of the GOVERNMENT OF INDIA

[*Note.*—1875–76 is the earliest year for which the accounts were re-cast in the

IN

Heads of Expenditure.	1875–76.		1881–82.		1892–93.	
	Rx.		Rx.		Rx.	
Interest (on debt other than that charged to railways and irrigation works, and on other obligations):						
Charges	2,430,230		1,827,808		411,700	
Receipts	541,950		840,434		818,900	
Net charge		1,888,280		987,374		*–407,200*
Post Office, Telegraph, and Mint:						
Net charge		160,653		123,835		*–542,300*
Salaries and expenses of Civil Departments:						
Net charge		8,550,435		9,089,779		11,728,900
Miscellaneous Civil Charges:						
Net charge		1,345,947		1,667,904		1,364,000
Famine Relief and Insurance		601,379		1,567,687		1,136,100
Construction of Railways (charged against revenue, in addition to that under Famine Insurance).		29,680		74,175		297,600
Railway Revenue Account:						
Charges	1,020,524		5,306,740		11,891,300	
Receipts	4,573,519		10,882,443		19,079,200	
Net charge		*–3,552,995*		*–5,575,703*		*–7,187,900*
Irrigation:						
Charges	1,666,396		1,987,802		3,006,800	
Receipts	574,742		1,479,253		2,338,900	
Net charge		1,091,654		508,549		667,900
Buildings and Roads:						
Net charge		4,074,771		4,351,412		5,271,800
Army:						
Net charge		10,786,800		12,125,289		14,706,700
Special Defence Works		—		—		268,900
Total net Expenditure in India		24,976,604		24,920,301		27,304,500
Deduct portion thereof defrayed from Provincial Balances.		*–434,681*		—		*–811,000*
Add portion of allotments to Provincial Governments which, being unspent within the year, is added to their balances.		—		1,519,792		—
Total net Expenditure in India charged against Revenue.		24,541,923		26,440,093		26,493,500

in 1892-93, compared with 1875-76 and 1881-82.

form now adopted. 1881-82 is the year before the great remissions of taxation.]

DIA.

Increase in 1892-93 over		REMARKS.
1875-76.	1881-82.	
Rx.	Rx.	
-2,295,480	*-1,394,574*	For the purposes of account the debt is divided into Ordinary Debt and Debt for Public Works. The amount of any new loans is added to the Ordinary Debt; and in each year an amount of debt corresponding to the capital outlay on railways and irrigation works is transferred from the Ordinary Debt to the Debt for those works, the interest on the latter being charged under the heads of Railway Revenue Account and Irrigation. As the expenditure has not been entirely provided by loan, but partly by revenue and other balances such as Savings Bank Deposits, &c., the Ordinary Debt, and the interest thereon, has been greatly reduced.
-702,953	*-666,135*	All three branches, Post Office, Telegraph, and Mint, have now become in most years sources of revenue instead of expenditure. The chief part of the improvement has occurred in the Telegraphs.
3,178,465	2,639,121	The increase in 1892-93 over 1875-76 occurred in the following departments:—Police, Rx. 1,261,796; Law and Justice, Rx. 585,799; Education, Rx. 384,770; Political, Rx. 359,450; General Administration, Rx. 258,066; Medical, Rx. 222,274; Marine, Rx. 79,640; Scientific and Minor Departments, Rx. 21,436; Ecclesiastical, Rx. 5,234. Of the total amount, Rx. 881,100 has been incurred in Upper Burma.
18,053	*-303,904*	The increase in Civil Superannuation and in Stationery and Printing is less than the saving in Political Pensions, Exchange on the capital transactions with Railway Companies, and Miscellaneous transactions.
534,721	*-431,587*	The charge in 1875-76 was for actual famine relief in Bengal. In 1881-82 the money was almost entirely divided between the construction of works calculated to protect the country against famine and the reduction of debt. In 1892-93 nearly the whole is devoted to protective works; and besides the sum of Rx. 1,136,100 there is, under the Railway Revenue Account, a charge of Rx. 363,900 (making Rx. 1,500,000 in all) on account of the net charge for the Bengal-Nagpur and Indian Midland Railways, which were constructed as Famine Works.
267,920	223,425	The payment in 1892-93 is mainly for the East Coast Railway and for a provincial railway in Madras.
-3,634,905	*-1,612,197*	The charges in India include the working expenses of the railways, and the interest on their capital cost, except in so far as it is paid in sterling to companies in England.
-423,754	159,351	The charges in India include the working expenses and repairs of the canals, &c., the whole of the interest on their capital cost, unless the latter has been defrayed out of revenue, as in the case of the minor works, and the outlay during the year in the construction of small works.
1,197,029	920,388	The amount of the outlay on buildings and roads varies with the means which the Local Governments have of pressing them forward. In both 1875-76 and 1892-93 part of this expenditure was defrayed from the Provincial Balances.
3,919,900	2,581,411	Since 1882 the Army has been augmented by about 10,000 Europeans and 17,000 Natives. The detailed accounts for 1892-93 have not yet been received, but those for 1891-92 show an increase of Rx. 2,522,000 over 1881-82, thus composed:—Regimental Pay, Rx. 612,000 (of which about Rx. 322,000 was caused by the fall in exchange); Commissariat, Rx. 502,000; Medical, Rx. 294,000; Remount, Rx. 163,000; Ordnance, Rx. 147,000; Clothing, Rx. 140,000; Volunteers, Rx. 100,000; other Effective charges, Rx. 356,000; and Non-Effective, Rx. 208,000.
268,900	268,900	The works for the special defence of the harbours and of the posts on the North-West frontier were commenced in 1886-87. About 4 crores of rupees have been spent altogether in India and in England.
2,327,896	2,384,199	
-376,319	*-2,330,792*	In 1881-82 the Provincial Governments did not spend their full allotments, and the unspent amount was added to their balances and charged on the Imperial expenditure. In 1875-76 and in 1891-92 they spent more than the amount allotted to them, and the excess was withdrawn from their balances and credited to the Imperial Government.
1,951,577	53,407	

NET EXPENDITURE of the GOVERNMENT of INDIA in 1892–93, compared with 1875–76 and 1881–82—*continued.*

Heads of Expenditure.	1875–76.	1881–82.	1892–93.	Increase in 1892–93 over		REMARKS.
				1875–76.	1881–82.	
		IN ENGLAND.				
		£	£	£	£	
Interest: Net charge	2,125,115	2,456,656	2,406,800	281,685	*−49,856*	In 1888 the interest on a large portion of the sterling debt was reduced from 4 to 3½ per cent.
Post Office, Telegraph, and Mint: Net charge	158,487	158,128	255,600	97,113	97,472	The principal part of the increase in the net charge is in the cost of stores; but, as compared with 1881–82, part arises from the reduction of receipts from the Indo-European Telegraph under the Common Purse arrangement.
Civil Departments: Net charge	438,548	435,642	637,300	198,752	201,658	The increase is largely due to the construction of two new transports and a dredger in the current year.
Miscellaneous Civil Charges: Net charge	1,569,961	1,657,546	2,068,900	498,939	411,354	The increase is in Civil Superannuation.
Famine Relief and Insurance	587	165	—	*−587*	*−165*	
Construction of Railways charged against Revenue.	—	363,491	—	—	*−363,491*	In 1881–82 certain stores for frontier railways were charged under this head.
Railway Revenue Account: Net charge	4,606,012	4,858,892	5,740,700	1,134,688	881,808	The increase is owing to the interest payable to the new companies, Bengal-Nagpur, Indian Midland, Southern Mahratta, Bengal Central, South Indian, and Assam-Bengal Railway Companies.
Irrigation: Net charge	49,931	50,027	1,600	*−48,331*	*−48,427*	Cessation of the interest paid to the Madras Irrigation Company, on the canal being purchased by the State.
Buildings and Roads: Net charge	76,884	82,382	106,400	29,516	24,018	The increase is in stores for military works.
Army: Net charge	3,476,048	3,929,219	4,907,300	1,431,252	978,081	The principal variations since 1881–82 are, increase in Capitation Rate paid to War Office 116,000*l.*, and in deferred pay 146,000*l.*; in 1892–93 also large arrears were paid, exceeding 200,000*l.* In Ordnance stores there was an increase of 578,000*l.*, but in other stores a reduction of 154,000*l.* In Non-Effective Charges the increase was 218,000*l.*
Special Defence Works	—	—	231,100	231,100	231,100	
Total net Expenditure in England	12,501,573	13,992,148	16,355,700	3,854,127	2,363,552	
		EXCHANGE.				
Exchange on net Expenditure in England	1,372,680	2,886,596	9,813,400	8,440,720	6,926,804	The average rate of exchange was 21·626*d.* in 1875–76; 19·895*d.* in 1881–82; and has been taken at 15*d.* for 1892–93.
Total net Charge on the Revenues of India.	38,416,176	43,318,837	52,662,600	14,246,424	9,343,763	

TABLES distinguishing the PAYMENTS of the GOVERNMENT OF INDIA in STERLING on OLD and on NEW CONTRACTS.

Table I.—Payments on old or fixed Contracts.

(In continuation of Tables on pages 335–337 of the Appendix to the First Report of the Gold and Silver Commission.)

	1874-75.	1884-85.	1885-86.	1886-87.	1887-88.	1888-89.	1889-90.	1890-91.	1891-92.
PAYMENTS ON OLD OR FIXED CONTRACTS.	£	£	£	£	£	£	£	£	£
Interest on debt	2,178,136	2,422,135	2,373,405	2,356,771	3,079,722	2,376,740	2,038,062	2,043,628	1,925,757
Home charges for service of British forces in India	820,630	1,442,345	740,585	921,198	929,802	1,025,076	1,245,544	1,206,541	1,157,082
Passage of troops to and from India	292,860	304,949	295,492	266,856	203,441	196,136	194,595	222,037	236,817
Pensions and furlough allowances at rates fixed in sterling (approximately)	2,639,402	3,182,037	3,225,317	3,338,496	3,409,469	3,478,680	3,493,930	3,493,899	3,618,476
Home administration	208,934	223,299	244,643	236,887	253,365	229,053	228,244	231,997	233,538
Miscellaneous	123,588	294,112	330,083	244,389	218,645	92,502	114,218	8,825*	222,938
Guaranteed companies: Guaranteed interest	4,659,755	3,217,240	3,180,735	2,696,976	2,694,920	2,697,388	2,337,058	2,354,130	2,114,159
Annuities and interest in respect of lines purchased	—	1,573,908	1,690,186	2,243,749	2,235,537	2,320,369	2,549,280	2,555,974	2,699,340
Net withdrawals	781,648	1,377,134	*−503,467*	148,485	651,935	970,015	*−244,620*	1,756,542	*−314,583*
	11,704,953	14,037,159	11,571,979	12,453,807	13,676,836	13,385,959	11,956,311	13,873,573	11,893,524
Deduct grants in aid of Afghan and Egyptian Expeditions	—	250,000	250,000	—	—	—	—	—	—
Net payments in sterling in each year	11,704,953	13,787,159	11,321,979	12,453,807	13,676,836	13,385,959	11,956,311	13,873,573	11,893,524
Net payments in sterling in 1874-75	11,704,953	11,704,953	11,704,953	11,704,953	11,704,953	11,704,953	11,704,953	11,704,953	11,704,953
Excess of net payments in sterling in each year over those in 1874-75	—	2,082,206	*−382,974*	748,854	1,971,883	1,681,006	251,358	2,168,620	188,571
Average rate obtained for bills and transfers on India in each year	1*s.* 10·156*d.*	1*s.* 7·308*d.*	1*s.* 6·254*d.*	1*s.* 5·441*d.*	1*s.* 4·898*d.*	1*s.* 4·379*d.*	1*s.* 4·566*d.*	1*s.* 6·09*d.*	1*s.* 4·733*d.*
Rupees needed to provide for the net sterling payments of each year at the average rate of that year.	Rs. 12,67,88,727	Rs. 17,13,73,265	Rs. 14,88,58,141	Rs. 17,13,72,543	Rs. 19,42,39,742	Rs. 19,61,42,155	Rs. 17,32,16,961	Rs. 18,40,67,753	Rs. 17,05,84,359
Rupees needed to provide for the net sterling payments of 1874-75 at the average rate of 1874-75.	12,67,88,727	12,67,88,727	12,67,88,727	12,67,88,727	12,67,88,727	12,67,88,727	12,67,88,727	12,67,88,727	12,67,88,727
Total excess	—	4,45,84,538	2,20,69,414	4,45,83,816	6,74,51,015	6,93,53,428	4,64,28,234	5,72,79,026	4,37,95,632
Excess caused by fall in the rate of exchange:—									
Rupees needed to provide for the net sterling payments of each year at the average rate of that year.	12,67,88,727	17,13,73,265	14,88,58,141	17,13,72,543	19,42,39,742	19,61,42,155	17,32,16,961	18,40,67,753	17,05,84,359
Rupees needed to provide for the net sterling payments of each year at the average rate of 1874-75.	12,67,88,727	14,93,43,302	12,26,40,330	13,49,00,357	14,81,48,278	14,49,97,481	12,95,11,451	15,02,79,344	12,88,31,339
	—	2,20,29,963	2,62,17,811	3,64,72,186	4,60,91,464	5,11,44,674	4,37,05,510	3,37,88,409	4,17,53,020
Excess caused by increase in sterling payments:—									
Rupees needed to provide for the net sterling payments of each year at the average rate of 1874-75.	12,67,88,727	14,93,43,302	12,26,40,330	13,49,00,357	14,81,48,278	14,49,97,481	12,95,11,451	15,02,79,344	12,88,31,339
Rupees needed to provide for the net sterling payments of 1874-75 at the average rate of 1874-75.	12,67,88,727	12,67,88,727	12,67,88,727	12,67,88,727	12,67,88,727	12,67,88,727	12,67,88,727	12,67,88,727	12,67,88,727
	—	2,25,54,575	*−41,48,397*	81,11,630	2,13,59,551	1,82,08,754	27,22,724	2,34,90,617	20,42,612
Total excess	—	4,45,84,538	2,20,69,414	4,45,83,816	6,74,51,015	6,93,53,428	64,28,234	5,72,79,026	4,3795,632

* Charge reduced by exceptionally large receipts.

Table II.—Payments on new or current Contracts.

	1874-75.	1884-85.	1885-86.	1886-87.	1887-88.	1888-89.	1889-90.	1890-91.	1891-92.
PAYMENTS ON NEW OR CURRENT CONTRACTS.	£	£	£	£	£	£	£	£	£
Interest on Debt raised since 1884-85, except that in connection with the purchase of Guaranteed Railways.	—	—	52,500	240,000	285,000	285,000	363,750	427,676	459,024
Stores for India	2,786,389	2,079,174	3,237,413	2,453,220	2,358,406	2,143,038	2,125,143	2,741,618	2,676,289
Pensions and furlough allowances at rates fixed in Indian currency (approximately)	187,065	244,159	243,949	212,806	259,913	269,491	267,685	263,640	304,178
Remittance transactions	366,514	400,805	−6,444*	438,872	430,632	412,797	266,572	213,730	374,014
Railway companies under recent contracts:—Interest	—	35,897	195,886	343,631	468,936	634,482	723,079	792,103	839,677
Stores, &c., for East Indian and other Railways charged in the Remittance Account	—	403,123	607,770	386,573	365,667	381,433	383,535	390,662	374,684
	3,339,968	3,163,158	4,331,074	4,075,102	4,168,554	4,126,241	4,129,764	4,829,429	5,027,866
Deduct net receipts from railway companies under recent contracts	—	1,427,422	4,643,070	1,276,420	3,109,494	245,525	−518,893	−409,803	−1,723,173
Net payments in sterling in each year	3,339,968	1,735,736	−311,996	2,798,682	1,059,060	3,880,716	4,648,657	5,239,232	6,751,039
Net payments in sterling in 1874-75	3,339,968	3,339,968	3,339,968	3,339,968	3,339,968	3,339,968	3,339,968	3,339,968	3,339,968
Excess of net payments in sterling in each year over those in 1874-75	—	−1,604,232	−3,651,964	−541,286	−2,280,908	540,748	1,308,689	1,899,264	3,411,071
Average rate obtained for bills and transfers on India in each year	1s. 10·156d.	1s. 7·308d.	1s. 6·254d.	1s. 5·441d.	1s. 4·898d.	1s. 4·379d.	1s. 4·566d.	1s. 6·09d.	1s. 4·733d.
Rupees needed to provide for the net sterling payments of each year at the average rate of that year.	Rs. 3,61,78,726	Rs. 2,15,75,057	Rs. −41,02,034	Rs. 3,85,11,698	Rs. 1,50,40,872	Rs. 5,68,63,464	Rs. 6,73,47,381	Rs. 6,95,11,557	R. 9,68,27,623
Rupees needed to provide for the net sterling payments of 1874-75 at the average rate of 1874-75.	3,61,78,726	3,61,78,726	3,61,78,726	3,61,78,726	3,61,78,726	3,61,78,726	3,61,78,726	3,61,78,726	3,61,78,726
Total excess	—	−1,46,03,669	−4,02,80,760	23,32,972	−2,11,37,854	2,06,84,738	3,11,68,655	3,33,32,831	6,06,48,897
Excess caused by fall in the rate of exchange:—									
Rupees needed to provide for the net sterling payments of each year at the average rate of that year.	3,61,78,726	2,15,75,057	−41,02,034	3,85,11,698	1,50,40,872	5,68,63,464	6,73,47,381	6,95,11,557	9,68,27,623
Rupees needed to provide for the net sterling payments of each year at the average rate of 1874-75.	3,61,78,726	1,88,01,593	−33,79,560	3,03,15,585	1,14,71,799	4,20,36,140	5,03,54,521	5,67,51,664	7,31,27,644
	—	27,73,464	−7,22,474	81,96,113	35,69,073	1,48,27,324	1,69,92,860	1,27,59,893	2,36,99,979
Excess caused by increase in sterling payments:—									
Rupees needed to provide for the net sterling payments of each year at the average rate of 1874-75.	3,61,78,726	1,88,01,593	−33,79,560	3,03,15,585	1,14,71,799	4,20,36,140	5,03,54,521	5,67,51,664	7,31,27,644
Rupees needed to provide for the net sterling payments of 1874-75 at the average rate of 1874-75.	3,61,78,726	3,61,78,726	3,61,78,726	3,61,78,726	3,61,78,726	3,61,78,726	3,61,78,726	3,61,78,726	3,61,78,726
	—	−1,73,77,133	−3,95,58,286	−58,63,141	−2,47,06,927	58,57,414	1,41,75,795	2,05,72,938	3,69,48,918
Total excess	—	−1,46,03,669	−4,02,80,760	23,32,972	−2,11,37,854	2,06,84,738	3,11,68,655	3,33,32,831	6,06,48,897

* Charge reduced by exceptionally large receipts.

Table III.—Comparison of 1874–75 and 1891–92.

——	1874–75.				1891–92.					Total Excess caused by Fall in Exchange in 1891–92 over 1874–75. (5 + 10.)	Total Excess in 1891–92 over 1874–75 by increase in Net Gold Payments, and by Fall in Exchange. (8 + 11.)
	Net Gold Payments.	Rupees needed in 1874–75 for Net Gold Payments.	Rupees needed in 1891–92 for the net amount of Gold Payments made in 1874–75.	Excess caused by Fall in Exchange on the net amount of Gold Payments made in 1874–75. (4 − 3.)	Net Gold Payments.	Increase in Net Gold Payments in 1891–92. over 1874–75. (6 − 2.)	Additional Rupees that would at Rate of 1874–75 have been needed on account of the Increase in Net Gold Payments in 1891–92.	Additional Rupees actually needed in 1891–92 on account of the Increase in Net Gold Payments.	Excess caused by fall in Exchange on the Increase in Net Gold Payments. (9 − 8.)		
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
PAYMENTS ON OLD AND FIXED CONTRACTS.	£	Rs.	Rs.	Rs.	£	£	Rs.	Rs.	Rs.	Rs.	Rs.
Interest on Debt	2,178,136	2,35,93,694	3,12,40,189	76,46,495	1,925,757	*−252,379*	*−27,33,784*	*−36,19,777*	*−8,85,993*	67,60,502	40,26,718
Home charges for service of British forces in India	820,630	88,89,111	1,17,69,989	28,80,878	1,157,082	336,452	36,44,467	48,25,605	11,81,138	40,62,016	77,06,483
Passage of troops to and from India	292,860	31,72,276	42,00,381	10,28,105	236,817	*−56,043*	*−6,07,061*	*−8,03,804*	*−1,96,743*	8,31,362	2,24,301
Pensions and furlough allowances at rates fixed in sterling (approximately).	2,639,402	2,85,90,156	3,78,55,954	92,65,798	3,618,476	979,074	1,06,05,386	1,40,42,492	34,37,106	1,27,02,904	2,33,08,290
Home administration	208,934	22,63,185	29,96,662	7,33,477	233,538	24,604	2,66,512	3,52,886	86,374	8,19,851	10,86,363
Miscellaneous	123,588	13,38,713	17,72,576	4,33,863	222,938	99,350	10,76,165	14,24,940	3,48,775	7,82,638	18,58,803
Guaranteed Companies: Guaranteed interest	4,659,755	5,04,74,736	6,68,33,121	1,63,58,385	2,114,159	153,744	16,65,364	22,05,092	5,39,728	1,68,98,113	1,85,63,477
Annuities and interest in respect of lines purchased.	—				2,699,340						
Net withdrawals	781,648	84,66,856	1,12,10,884	27,44,028	*−314,583*	*−1,096,231*	*−1,18,74,437*	*−1,57,22,831*	*−38,48,394*	*−11,04,366*	*−1,29,78,803*
	11,704,953	12,67,88,727	16,78,79,756	4,10,91,029	11,893,524	188,571	20,42,612	27,04,603	6,61,991	4,17,53,020	4,37,95,632
PAYMENTS ON NEW OR CURRENT CONTRACTS.											
Interest on Debt raised since 1884–85, except that in connection with the purchase of Guaranteed Railways.	—	—	—	—	459,024	459,024	49,72,174	65,83,609	16,11,435	16,11,435	65,83,609
Stores for India	2,786,389	3,01,82,326	3,99,64,134	97,81,808	2,676,289	*−110,100*	*−11,92,609*	*−15,79,123*	*−3,86,514*	93,95,294	82,02,685
Pensions and furlough allowances at rates fixed in Indian currency (approximately).	187,065	20,26,299	26,83,003	6,56,704	304,178	117,113	12,68,575	16,79,707	4,11,132	10,67,836	23,36,411
Remittance transactions	366,514	39,70,101	52,56,773	12,86,672	374,014	7,500	81,240	1,07,570	26,330	13,13,002	13,94,242
Railway Companies under recent contracts: Interest	—	—	—	—	839,677	839,677	90,95,430	1,20,43,173	29,47,743	29,47,743	1,20,43,173
Stores, &c., for East Indian and other Railways charged in the Remittance Account.	—	—	—	—	374,684	374,684	40,58,599	53,73,952	13,15,353	13,15,353	53,73,952
	3,339,968	3,61,78,726	4,79,03,910	1,17,25,184	5,027,866	1,687,898	1,82,83,409	2,42,08,888	59,25,479	1,76,50,663	3,59,34,072
Deduct net receipts from Railway Companies under recent contracts.	—	—	—	—	*−1,723,173*	*−1,723,173*	*−1,86,68,509*	*−2,47,14,825*	*−60,49,316*	*−60,49,316*	*−2,47,14,825*
	3,339,968	3,61,78,726	4,79,03,910	1,17,25,184	6,751,039	3,411,071	3,69,48,918	4,89,23,713	1,19,74,795	2,36,99,979	6,06,48,897

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STATEMENT showing the DIFFERENCE between the SUMS in RUPEES, at the BUDGET RATE of EXCHANGE and at the RATE realised, needed to provide for the net STERLING PAYMENTS in ENGLAND in each year; and the EQUIVALENT of that DIFFERENCE in STERLING at the RATE realised.

Year.	Net Sterling Payments.			Rupees needed to provide for Net Sterling Payments.				Additional Rupees needed, owing to Exchange falling below the Rate assumed in the Budget; and their Equivalent in Sterling at Rate realised.	
	On Old or Fixed Contracts.	On New or Current Contracts.	Total.	At Budget Rate of Exchange.		At Rate realised.			
	£	£	£	Budget Rate. s. d.	Rs. (a)	Rate Realised. s. d.	Rs. (b)	Rs. (b)—(a)	£
1874–75	11,704,953	3,339,968	15,044,921	1 10·375	16,13,75,689	1 10·156	16,29,67,453	15,91,764	146,946
1875–76	12,181,735	3,286,398	15,468,133	1 9·875	16,97,07,516	1 9·626	17,16,65,433	19,57,917	176,425
1876–77	13,207,657	3,410,242	16,617,899	1 8·5	19,45,51,013	1 8·508	19,44,74,277	*—76,736*	*—6,557*
1877–78	12,508,179	3,602,727	16,110,906	1 9·23	18,21,29,884	1 8·791	18,59,72,934	38,43,050	332,920
1878–79	13,401,225	2,392,072	15,793,297	1 8·4	18,58,03,494	1 7·794	19,14,90,623	56,87,129	469,046
1879–80	11,108,243	2,772,188	13,880,431	1 7	17,53,31,760	1 7·961	16,68,91,023	*—84,40,737*	*—702,023*
1880–81	12,521,482	3,624,744	16,146,226	1 8	19,37,54,712	1 7·956	19,41,79,434	4,24,722	35,316
1881–82	13,084,682	3,062,781	16,147,463	1 8	19,37,69,556	1 7·895	19,47,87,038	10,17,482	84,345
1882–83	11,704,805	1,042,698	12,747,503	1 8	15,29,70,036	1 7·525	15,67,16,926	37,46,890	304,825
1883–84	13,081,813	2,985,134	16,066,947	1 7·5	19,77,47,040	1 7·536	19,73,84,138	*—3,62,902*	*—29,540*
1884–85	13,787,159	1,735,736	15,522,895	1 7·5	19,10,51,015	1 7·308	19,29,48,322	18,97,307	152,638
1885–86	11,321,979	*—311,996*	11,009,983	1 7	13,90,73,469	1 6·254	14,47,56,107	56,82,638	432,212
1886–87	12,453,807	2,798,682	15,252,489	1 6	20,33,66,520	1 5·441	20,98,84,241	65,17,721	473,649
1887–88	13,676,836	1,059,060	14,735,896	1 5·5	20,20,92,288	1 4·898	20,92,80,614	71,88,326	506,145
1888–89	13,385,959	3,880,716	17,266,675	1 4·9	24,52,07,219	1 4·379	25,30,05,619	77,98,400	532,211
1889–90	11,956,311	4,648,657	16,604,968	1 4·38	24,32,96,234	1 4·566	24,05,64,342	*—27,31,892*	*—188,569*
1890–91	13,873,573	5,239,232	19,112,805	1 4·552	27,71,31,054	1 6·09	25,35,79,310	*—2,35,51,744*	*—1,775,144*
1891–92	11,893,524	6,751,039	18,644,563	1 5·25	25,94,02,616	1 4·733	26,74,11,982	80,09,366	558,431

TABLE showing the EXCESS by FALL in EXCHANGE over that for the year 1874–75, year by year, in RUPEES, and in STERLING at average RATE of EXCHANGE, on OLD and NEW CONTRACTS.

Year.	Average Rate obtained for Bills, &c.	On Old or Fixed Contracts.		On New or Current Contracts.		Total.	
		In Rupees.	In Sterling, at Average Rate of Exchange.	In Rupees.	In Sterling, at Average Rate of Exchange.	In Rupees.	In Sterling, at Average Rate of Exchange.
	s. d.	Rs.	£	Rs.	£	Rs.	£
1875–76	1 9·626	32,39,711	291,925	8,74,012	78,756	41,13,723	370,681
1876–77	1 8·508	1,14,99,136	982,601	29,69,098	253,710	1,44,68,234	1,236,311
1877–78	1 8·791	88,96,278	770,677	25,62,392	221,978	1,14,58,670	992,655
1878–79	1 7·794	1,73,24,877	1,428,828	30,92,341	255,041	2,04,16,718	1,683,869
1879–70	1 7·961	1,32,34,559	1,100,729	33,02,835	274,700	1,65,37,394	1,375,429
1880–81	1 7·956	1,49,53,742	1,243,404	43,28,840	359,943	1,92,82,582	1,603,347
1881–82	1 7·895	1,61,06,643	1,335,174	37,70,143	312,529	1,98,76,786	1,647,703
1882–83	1 7·525	1,71,10,945	1,392,047	15,24,292	124,007	1,86,35,237	1,516,054
1883–84	1 7·536	1,90,08,498	1,547,292	43,37,542	353,076	2,33,46,040	1,900,368
1884–85	1 7·308	2,20,29,963	1,772,311	27,73,464	223,125	2,48,03,427	1,995,436
1885–86	1 6·254	2,62,17,811	1,994,083	*—7,22,474*	*—54,950*	2,54,95,337	1,939,133
1886–87	1 5·441	3,64,72,186	2,650,469	81,96,113	595,619	4,46,68,299	3,246,088
1887–88	1 4·898	4,60,91,464	3,245,399	35,69,073	251,306	4,96,60,537	3,496,705
1888–89	1 4·379	5,11,44,674	3,490,430	1,48,27,324	1,011,909	6,59,71,998	4,502,339
1889–90	1 4·566	4,37,05,510	3,016,775	1,69,92,860	1,172,933	6,06,98,370	4,189,708
1890–91	1 6·09	3,37,88,409	2,546,703	1,27,59,893	961,740	4,65,48,302	3,508,443
1891–92	1 4·733	4,17,53,020	2,911,114	2,36,99,979	1,652,416	6,54,52,999	4,563,530

CHANGES in TAXATION since 1867–68 (compiled from the ANNUAL BUDGETS).

		Estimated Net Increase.	Estimated Net Remission.
		Rx.	Rx.
1868–69	Substitution of a tax on trades and professions (Certificate Tax) for the Licence Tax	—	200,000
1869–70	Income Tax at 1 per cent. substituted for Certificate Tax	350,000	—
	During the year the rate was raised to 2 per cent. for the second half year	350,000	—
	And the Salt Tax was raised in Madras and Bombay from R. 1. 8 to R. 1. 13 per maund	350,000	—
1870–71	Income Tax raised to 3¼ per cent. or six pies in rupee. Estimated increase over the 1 per cent. rate	1,480,000	—
1871–72	Income Tax reduced from six to two pies in the rupee, and minimum income liable to the tax raised from Rs. 500 to Rs. 750	—	1,475,000
1872–73	Minimum income for Income Tax raised to Rs. 1,000 a year	—	255,000
	Provincial rates levied or about to be levied	754,000	—
1873–74	The Income Tax expired and was not renewed	—	560,000
1875–76	Tariff revised; rates generally reduced from 7½ to 5 per cent.; a few increased	—	393,000
	Excise Duty on spirits raised from three to four rupees per gallon	No estimate	—
1877–78	Pass duty on Malwa opium raised from Rs. 600 to Rs. 650 a chest (16th July 1877)	No estimate	—
1878–79	New Licence Tax	765,000	—
	New local rates	449,000	—
	Salt duty raised in Madras and Bombay, and reduced in Bengal and North-West; the increase being equal to the reduction	—	—
	Duty on coarser cotton goods remitted	—	20,000
1879–80	Inland Customs line abolished; sugar duties, &c., given up	—	150,000
	Further remission of cotton duties	—	200,000
	Pass duty on Malwa opium raised to Rs. 700 (16th September 1879)	No estimate	—
1880–81	Licence Tax amended	—	340,000
	Export duties on indigo and lac abolished	—	51,000
1882–83	Patwari Cess remitted (North-West)	—	241,000
	Cotton and general import duties abolished	—	1,219,000
	Salt duty reduced to Rs. 2 per maund	—	1,400,000
	Pass duty on Malwa opium reduced from Rs. 700 to Rs. 650 per chest (28th January 1882)	—	No estimate
1886–87	Income Tax substituted for Licence Tax	765,000	—
1888–89	Duty on Petroleum imposed	100,000	—
	Salt duty raised (19th January 1888) from Rs. 2 to Rs. 2. 8 per maund	1,725,000	—
1889–90	Patwari Tax reimposed (North-West)	250,000	—
1890–91	Pass duty on Malwa opium reduced from Rs. 650 to Rs. 600 a chest in July 1890	—	No estimate
	Extra duty on imported spirits, and on Indian beer	100,000	—
		7,438,000	6,504,000

MELTING OF ORNAMENTS IN TIME OF SCARCITY.

EXTRACTS from the Resolutions of the Government of India on the Mint Reports.

1876–77.

In transmitting the accounts for 1875–76, no reference was made to the quantity of "country silver and silver ornaments" tendered for coinage by native merchants. This was because the quantity tendered was not so excessive as to render any special remarks necessary. It may not, however, be uninteresting to show what was received during each of the 12 months of the year 1876–77, as the statement probably indicates, with a certain accuracy, the commencement, progress, and severity of the present famine, and the effect it has had upon those influenced by it. During the year they were received as follows:—

			Rs.
1876	April	Country silver and silver ornaments estimated at	10,995
,,	May	Country silver and silver ornaments estimated at	1,161
,,	June	Country silver and silver ornaments estimated at	7,896
,,	July	Country silver and silver ornaments estimated at	—
,,	August	Country silver and silver ornaments estimated at	1,825
,,	September	Country silver and silver ornaments estimated at	—
,,	October	Country silver and silver ornaments estimated at	3,855
,,	November	Country silver and silver ornaments estimated at	69,609
,,	December	Country silver and silver ornaments estimated at	1,04,232
1877	January	Country silver and silver ornaments estimated at	1,29,836
,,	February	Country silver and silver ornaments estimated at	2,15,542
,,	March	Country silver and silver ornaments estimated at	3,06,848
		Total during year	8,51,799

From the above statement it will be observed that this class of silver steadily increased from December last to the close of the official year, since which time there has been a still further steady monthly increment in the amount tendered, the figures up to the close of last month standing as follows:—

		Rs.
1877	April	6,08,740
,,	May	8,37,034
,,	June	11,51,515
,,	July	15,33,212
		41,30,501

which brings the total amount tendered under the pressure of famine since last November to about half a crore of rupees.

1877–78.

A distinguishing feature of the year's work was the enormous number of small country silver tenders.

* * * *

Before 1876 the tenders of native silver may also be said to have been nil; but towards the close of that year the silver began to pour in; in November, ¾ lakh was tendered; in December, 1 lakh; in January, February, March, April, May, and June 1877, 1, 2, 3, 6, 8, and 11½ lakhs respectively were tendered, until in September the maximum of 19 lakhs was reached.

1879–90.

Besides imported silver, the following amounts of bullion in the form of native ornaments, &c., which had been thrown on the market by sufferers from famine in Western and Southern India, were received for coinage in the Bombay Mint:

	Lakhs.
1877–78	124
1878–69	116
1879–80	92

Wholesale Prices of Staple Commodities at Calcutta.

The articles for which quotations are given are, as regards exports, Castor Oil, Hides, Indigo, Jute, Lac Dye, Shell Lac, Seeds, Rice, Saltpetre, Silk, Sugar, Tea, Tobacco, and Wheat; and, as regards imports, Grey Shirtings, Mule Twist, Copper, Iron, Spelter, and Gold.

Average of quotations, those for the year 1873 being taken as = 100.

—	Exports.	Imports.
1873, March	100	100
1874, average from June 1873 to Dec., 1874.	102	102
1875 } average	87	100
1876 } average	87	101
1877	102	95
1878	95	91
1879	99	86
1880	110	90
1881 } January	96	86
1882	88	87
1883	83	82
1884	98	82
1885	79	78
1886	88	78
1887	85	81
1888	85	93
1889 } average of January and July	100	92
1890	100	91
1891	92	88
1892, January	106	88

Prices of Food Grains in India.

	Wheat.	Rice.	Jowar.	Barley.	Bajra.	Average of the five kinds of Grain.
No. of Districts on which Average is taken.	99	90	95	54	86	
1861-65, 5 years	21·36	21·66	25·78	35·60	24·27	25·73
1866-70 „	15·45	17·42	21·25	25·81	19·90	19·97
1871-75 „	19·46	19·14	25·30	28·54	22·38	22·96
1876-80 „	16·35	15·30	20·42	26·94	18·91	19·58
1881-85 „	19·98	18·21	27·64	30·48	24·22	24·11
1886-90 „	16·05	15·41	21·17	24·25	19·49	19·28
1891, 1 year	14·05	13·91	18·44	20·39	16·57	16·65

Wages of Skilled and Unskilled Labour, Rupees, &c., per Month.

Summary for all Districts.

—	Able-bodied Agricultural Labourer.	Per-centage if 1873-76 be 100.	Syce or Groom.	Per-centage.	Common Mason, Carpenter, or Blacksmith.	Per-centage.
	R. A. P.		R. A. P.		R. A. P.	
1873-76	6 11 1	100	6 7 3	100	14 9 2	100
1877-81	6 7 11	97	6 7 3	100	14 11 11	101·2
1882-86	6 8 8	97·7	6 11 11	104·5	15 11 10	108
1887-91	7 1 8	106·1	6 15 8	108·1	16 14 5	116

Price of Indian Government Securities.

Years.	4 per cent. Rupee Paper. In Calcutta. (Selling Price.) Highest.	Lowest.	In London. (Average Mean Quotations.) Highest.	Lowest.	Rate of Exchange for Secretary of State's Bills on India. Highest.	Lowest.	Sterling India Stock. (Average Mean Quotations.) 4 per cent. Highest.	Lowest.	3½ per cent. Highest.	Lowest.	3 per cent. Highest.	Lowest.
					d.	d.						
1873	105	101 7/8	97	94 1/2	22 7/8	21 3/4	106 1/2	101 1/4				
1874	104 1/2	99 3/4	98	94 1/2	23 1/8	21 3/4	103 3/4	101				
1875	102 7/8	101 3/4	94	91	22 3/16	21 1/4	106 1/4	103 1/4				
1876	101 7/8	98 3/4	89 3/4	78	22 3/8	18 1/8	105 7/8	101 7/8				
1877	98 7/8	93 1/4	88 1/2	81	22 1/4	20 9/16	104 5/8	102 1/4				
1878	96 7/8	93 1/8	82 1/2	75 3/8	21	18 3/4	104 5/8	99				
1879	94 7/8	91 1/4	80	77 1/4	20 5/8	18 3/4	105 5/8	100 7/8				
1880	100	92 15/16	81 3/8	77 3/4	20 3/8	19 3/4	105 5/8	102 1/8				
1881	104 5/8	100	86	81 1/2	20 1/16	19 1/2	106 3/8	103 3/8	103 7/8	100 3/4		
1882	102 1/16	95 5/8	85	81	20 3/16	19 1/16	105 1/8	102 7/8	101 7/8	99 1/4		
1883	101 1/8	97 9/16	82	79 3/4	19 9/16	19 3/16	104 5/8	102 7/16	103 1/8	101 3/4		
1884	100 5/8	95 5/16	81 3/4	78 1/4	19 3/4	18 15/16	104 3/8	101 5/8	107 1/8	101 3/4	96 1/4	91 1/2
1885	98 7/16	92 1/4	77 1/2	73 1/4	19 5/16	17 31/32	103 1/16	98 1/4	102 1/4	97 1/8	91 1/8	85 1/2
1886	97 3/4	97 3/16	73	66 1/4	18	16 1/2	103 1/2	101 1/4	102	99 1/4	90 1/2	86 5/8
1887	99 3/16	95 5/16	71 11/16	67 7/8	18 3/16	16 5/8	102 3/4	100 1/2	103 1/4	100 1/4	92 5/8	85 5/8
1888	100 3/16	97 5/16	69 3/8	66 1/4	17 1/8	16	102 7/8	100 1/8	107 1/4	104 5/8	98 3/4	95
1889	100 1/8	97 1/16	69 1/8	66 3/8	16 15/16	16			109 1/2	106 5/8	101 3/4	99
1890	103 7/8	96 13/16	87 1/4	68 3/4	20 29/32	16 7/8			108 1/2	105 1/2	100 1/4	95 1/4
1891	107 13/16	104 1/16	80 3/4	74 1/4	18 1/4	16 3/8			109 1/8	105	99	94 1/8
1892	108 15/16	103 11/16	74 1/2	62	16 1/16	14 5/8			109 1/2	106 1/8	98 1/2	94 7/8

Bengal and North-Western Railway.

Statement of yearly Percentage on Capital; the Net Earnings being converted at 1s. 8d.*

Year.	Net Gains (or Losses).	If converted at 1s. 8d.	Percentage on Capital.	Percentage actually paid.
	Rs.	£		
1884 - -	−26,221	—	—	4 (out of capital).
1885 - -	5,39,206	49,100	2·23	4 „
1886 - -	8,09,189	67,432	3·06	4 „
1887 - -	8,37,005	69,750	3·17	3
1888 - -	9,88,843	82,404	3·74	3·25
1889 - -	10,53,964	87,830	3·99	3·58
1890 - -	12,52,397	104,366	4·74	4·50
1891 - -	16,23,993	135,333	6·15	4·78
1892 (1st half) -	10,76,530	88,044	4	3

1s. 8d. was approximately the rate of exchange in 1882, when the capital was subscribed.

Various Countries.

Trade of United Kingdom (excluding Treasure) with Silver-using Countries.

Years.	Total Trade of the United Kingdom.	Trade with Principal Silver-using Countries, viz., India, China, Japan, Ceylon, Straits Settlements, Mauritius, Mexico, Central America.
	Millions £	Millions £
1873 - -	682	93
1874 - -	668	94
1875 - -	656	98
1876 - -	632	94
1877 - -	647	102
Average - -	657	96
1878 - -	614	90
1879 - -	612	85
1880 - -	698	104
1881 -	694	104
1882 - -	720	109
Average - -	667	98
Compared with previous period -	+ 1·52 per cent.	+ 2·1 per cent.
1883 - -	732	110
1884 - -	686	104
1885 - -	642	99
1886 - -	619	98
1887 - -	643	99
Average - -	664	102
Compared with previous period -	− 0·45 per cent.	+ 4·08 per cent.
1888 - -	686	103
1889 - -	743	105
1890 - -	749	107
1891 - -	745	103
Average - -	731	104
Compared with previous period -	+ 10·09 per cent.	+ 1·96 per cent.

Abstract of the Statistics in M. Ottomar Haupt's "Monetary Question," in 1892.

Total Stock of Money (pages 163–171).

Countries.	Gold.	Silver.	Fractional Currency.	Uncovered Paper Money.
Latin Union:	£	£	£	£
France - -	160,000,000	140,000,000	10,000,000	27,000,000
Algeria -	2,000,000	1,600,000	—	—
Belgium - -	11,000,000	10,000,000	1,400,000	10,500,000
Italy - -	22,000,000	4,000,000	6,800,000	34,000,000
	195,000,000	155,600,000	18,200,000	71,500,000
Germany - -	92,000,000	21,000,000	22,200,000	25,000,000
Holland - -	5,000,000	13,000,000	600,000	5,000,000
Dutch Colonies -	200,000	16,000,000	—	—
United States -	130,000,000	45,000,000	15,600,000	64,900,000
Austria - -	8,000,000	12,000,000	2,800,000	40,200,000
Russia - -	36,000,000	1,000,000	7,600,000	52,600,000
Spain - -	19,000,000	17,000,000	7,200,000	12,100,000
Turkey - -	15,000,000	7,000,000	2,000,000	—
Japan -	12,300,000	10,400,000	2,900,000	—
Total for countries using gold and silver - -	512,500,000	298,000,000	79,100,000	271,300,000
England - -	110,000,000	—	21,600,000	12,000,000
Canada - -	3,200,000	—	—	—
Australia - -	22,000,000	—	1,500,000	—
Cape of Good Hope	6,800,000	—	—	—
Portugal - -	9,000,000	—	2,000,000	1,000,000
Scandinavia -	5,000,000	—	2,200,000	5,500,000
Egypt - -	27,000,000	—	160,000	—
Cuba - - -	4,000,000	—	—	—
China - -	—	150,000,000	—	—
India - - -	—	180,000,000	—	—
Straits Settlements	—	30,600,000	—	—
Mexico - -	—	10,000,000	—	—
Other countries -	8,500,000	9,600,000	4,940,000	8,400,000
	708,000,000	678,200,000	111,500,000	298,200,000

Manner in which the Stock of Money was held in various Countries at the beginning of 1892.

From M. Haupt.

France (page 130).

	Francs.	Francs.
Gold coin and bars at the Bank - - -	1,338,000,000	
Gold coin in circulation -	2,600,000,000	
		3,938,000,000
French five-franc pieces at the Bank - -	914,000,000	
Foreign five-franc pieces at the Bank - -	340,000,000	
French five-franc pieces in circulation - -	1,800,000,000	
Foreign five-franc pieces in circulation - -	160,000,000	
		3,214,000,000
French fractional currency	250,000,000	
Foreign „ „ -	30,000,000	
Bronze money - -	65,000,000	
		345,000,000
Uncovered Bank notes - - -		572,000,000
		8,069,000,000
		=£322,700,000

Equal, for 38,000,000 inhabitants, to 212 francs, or 8l. 6s. per head.

ITALY (page 144).

	Lire.	Lire.
Gold in the Banks	371,000,000	
,, Treasury	114,000,000	
		485,000,000
Silver in the Banks	71,000,000	
,, Treasury	10,000,000	
		81,000,000
Fractional currency	150,000,000	
Bronze coin	75,000,000	
		225,000,000
Uncovered State notes	621,000,000	
,, Bank notes	226,000,000	
		847,000,000
		1,638,000,000
		=£65,000,000

Equal, for 30,000,000 inhabitants, to 55 lire, or 2*l.* 4*s.* per head.

GERMANY (page 135).

	Marks.	Marks.
Gold in the Banks of issue	776,000,000	
,, in Spandau	120,000,000	
,, in circulation	1,600,000,000	
		2,496,000,000
German thaler	350,000,000	
Austrian vereinsthaler	78,000,000	
		428,000,000
Fractional currency	457,000,000	
Nickel money	46,000,000	
Bronze money	11,000,000	
		514,000,000
Uncovered Bank notes	330,000,000	
Treasury notes	120,000,000	
		450,000,000
		3,888,000,000
		=£194,400,000

Equal, for 50,000,000 inhabitants, to 78 marks, or 3*l.* 18*s.* per head.

HOLLAND (page 139).

	Florins.	Florins.
Gold at the bank	40,000,000	
,, in circulation	24,000,000	
		64,000,000
Silver at the Bank	80,000,000	
,, in circulation	55,000,000	
		135,000,000
Fractional currency	7,600,000	
Bronze coin	1,800,000	
		9,400,000
State notes	15,000,000	
Uncovered Bank notes	83,000,000	
		98,000,000
		306,400,000
		=£25,500,000

Equal, for 4,500,000 inhabitants, to 68 florins, or 5*l.* 14*s.* per head.

UNITED STATES (pages 156–7).

	Dollars.	Dollars.
Gold money in the Treasury	189,600,000	
,, ,, in circulation	406,800,000	
,, bars in the Treasury	74,700,000	
,, additional, November and December 1891 (not specified)	17,500,000	
		688,600,000
Silver dollars in the Treasury	347,300,000	
Silver dollars in circulation	62,100,000	
Silver bars in the Treasury	48,400,000	
Silver additional, November and December 1891 (not specified)	89,300,000	
		547,100,000
Fractional currency	77,300,000	
Billon money	18,000,000	
		95,300,000

Paper money:

	Dollars.
State notes	346,700,000
Treasury notes, against silver	68,700,000
Gold certificates	156,900,000
Silver certificates	323,700,000
National Bank notes	172,200,000
Small state notes	11,100,000
	1,079,300,000

	Dollars.	Dollars.
Of which, uncovered: State notes	247,000,000	
Bank notes	172,000,000	
		419,000,000
		1,750,000,000
		=£350,000,000

Equal, for 64,000,000 inhabitants, to 27·35 dollars, or 5*l.* 9*s.* per head.

AUSTRIA (page 114).

	Florins.	Florins.
Silver in circulation		30,000,000
Fractional currency		40,000,000
State notes	378,844,000	
Bank notes	455,222,000	
		834,066,000
		904,066,000
		=£75,300,000

Equal, for 41,000,000 inhabitants, to 22 florins, or 1*l.* 16*s.* 7*d.* per head.

UNITED KINGDOM (page 119).

	£	£
Gold at the Bank of England	22,300,000	
Gold in Scotch Banks	4,300,000	
,, in Irish Banks	3,100,000	
,, in English Banks	8,300,000	
,, in circulation	80,000,000	
		118,000,000
Silver in Banks and in circulation	26,000,000	
Bronze money	1,900,000	
		27,900,000
Uncovered notes:		
Bank of England	3,300,000	
Private Banks	1,000,000	
Joint Stock Banks	1,200,000	
Scotch Banks	1,700,000	
Irish Banks	3,600,000	
		10,800,000
		£156,700000

Equal, for 38,000,000 inhabitants, to 4*l.* 2*s.* 7*d.* per head.

RUSSIA (pages 147–149).

	Roubles.	Roubles.
Gold at the State Bank - - -		410,000,000
Silver „ „ - -		1,125,000
Fractional currency -	82,000,000	
Bronze coin - -	10,000,000	
		92,000,000
Uncovered notes - - -		512,000,000
		1,015,125,000
		=£119,400,000

Equal, for 116,000,000 inhabitants, to about 1*l.* per head.

[The gold roubles seem to be converted at 38 pence, and the credit roubles at 24 pence.]

SPAIN (page 153).

	Pesetas.	Pesetas.
Gold at the Bank - - -		160,000,000
Silver at the Bank -	106,000,000	
„ in circulation -	540,000,000	
		646,000,000
Fractional currency -	190,000,000	
Bronze money - -	57,000,000	
		247,000,000
Uncovered Bank notes - - -		548,000,000
		1,601,000,000
		=£64,000,000

Equal, for 17,000,000 inhabitants, to 94 pesetas, or 3*l.* 15*s.* per head.

RATIO ADOPTED IN AUSTRIA-HUNGARY.

(ABBREVIATED from CHAPTER V. of "The MONETARY QUESTION in 1892," by O. HAUPT.)

From time immemorial the country has had nothing else as means of circulation than paper money, accompanied by a sort of base fractional currency, struck on the basis of a ratio of 1 gold to 10¾ silver, equal to a price of 86¾*d.* per ounce standard.

The Austrian florin has been hitherto represented by the $\frac{1}{45}$th part of one pound of fine silver. As long as the coinage of the metal in the mints of the country had been open to the public, the price of silver there had, as a matter of course, depended entirely upon the quotation of London, translated into florins at the exchange of the day. If the metal had been quoted at 50*d.*, it would have been 1 gold to 18·86 silver; and at 45*d.*, 1 to 21. But in 1879 the Austrian Government had suspended the coinage for private parties. The striking of silver florins was continued on account of the Government, which from 1880 to 1891 coined not less than 125½ million florins.

The basis chosen for the conversion has been fixed at 2 francs 10 centimes as the value of the future gold florin, the actual current exchange when the decision was taken in April last. It represents also about the average exchange from 1879, the year which marked the suspension of the coinage of silver for private parties, down to 1891, which comes to 119·75 florins paper for 100 florins gold, or 83½ kreutzer per gold florin, or, still more clearly expressed, to 2 francs 8·75 centimes.

At the rate of 2·10 francs, the equivalent of 10*l.*, at the parity of 25·22½ to the pound sterling, would be 120·10 florins; and the ratio between the two metals thus adopted for the new gold standard would be as 1 gold to 18·22 silver. In other words, 18·22 times 45 florins, the actual mint price per pound of fine silver in Austria, that is to say, 820 florins, would in future have to be struck from one pound of fine gold, or 1,540 florins for one kilo fine.

In point of fact, silver has been valued at 51¼*d.*

The future unit of the Austrian monetary system will not be the florin, but the half-florin or the crown (*krone* in German and *korona* in Hungarian), divided into 100 heller. The amount to be coined from 1 kilo of fine gold will, therefore, be 3,280 crowns; and 100 crowns will be equal to 105 francs, to 85·06 marks, and to 50·42 Dutch florins, while the theoretical parity of the pound sterling will be 24·02 crowns.

The creation of 20-crown pieces will be pushed as rapidly as possible. Ten-crown pieces will also be struck, but only later on, in order to give room to silver money, which will figure as fractional currency, and of which pieces of 50 heller and 1 crown will be coined. The ratio adopted for this fractional currency comes to 1 gold to 13·69 silver, representing a price of 68⅞*d.* per ounce standard, against 1 to 14·29 in England, 1 to 13·95 in Germany, and 1 to 14·38 in France.

Besides, there will be a nickel coinage of 10 and 20 heller, and a bronze coinage of 1 and 2 heller pieces.

The amount to be issued has provisionally been fixed as follows:—Silver money for Austria at 140 million crowns, for Hungary at 60 millions; nickel money for Austria at 42 millions, for Hungary at 18 millions; bronze money for Austria at 18,200,000, for Hungary at 7,800,000 crowns. This would give about 5 crowns in silver, 1½ crowns in nickel, and 65 heller in bronze money per head of population.

The legal tender force has been fixed for silver at 50 crowns, for nickel at 10 crowns, and for bronze at 1 crown, in each payment; the Government, as a matter of course, accepts these coins in full up to any amount.

The old silver florins will for the present at least remain in circulation, at the rate of 2 crowns per florin; the old fractional currency will be demonetised as soon as possible, and withdrawn from circulation.

FRANCE.

STATEMENT showing the IMPORTS and EXPORTS of GOLD and SILVER BULLION and SPECIE; the VALUE of the GOLD and SILVER COINAGE; the AVERAGE AMOUNT of BULLION and SPECIE held by the BANK OF FRANCE; the AVERAGE RATE OF DISCOUNT; and the AVERAGE AMOUNT of the NOTE CIRCULATION in the under-mentioned YEARS. (General Imports and Exports taken throughout.)

(In continuation of table in the First Report of the Gold and Silver Commission, Appendix, page 110.)

Year.	Gold Bullion and Specie.				Silver Bullion and Specie.				Totals.				Gold Coinage.	Silver Coinage.	Total.	Bullion held by the Bank of France.			Notes of the Bank of France in Circulation.			Average Rate of Discount.
	Imports.	Exports.	Excess of Imports.	Excess of Exports.	Imports.	Exports.	Excess of Imports.	Excess of Exports.	Imports.	Exports.	Excess of Imports.	Excess of Exports.				Maximum.	Minimum.	Average.	Maximum.	Minimum.	Average.	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
	Thsnd. £	Thsnd. £	Thsnd. £	Thsnd. £	Thsnd. £	Thsnd. £	Thsnd. £	Thsnd. £	Thsnd. £	Thsnd. £	Thsnd. £	Thsnd. £	£	£	£	Million £	Million £	Million £	Million £	Million £	Million £	Per cent.
1885 - -	10,832	9,134	1,698	—	11,303	7,382	3,921	—	22,135	16,516	5,619	—	11,576	—	11,576	91·3	80·8	86·05	122·6	108·8	115·7	3·
1886 - -	12,104	9,592	2,512	—	9,345	7,278	2,067	—	21,449	16,870	4,579	—	943,588	6,175	949,763	101·	88·8	94·9	119	106·3	112·65	3·
1887 - -	4,894	11,494	—	6,600	8,509	6,920	1,589	—	13,403	18,414	—	5,011	986,728	356,423	1,343,151	96·1	92·6	—	117·2	102·	—	3·
1888 - -	4,838	8,502	—	3,664	7,499	5,293	2,206	—	12,337	13,795	—	1,458	22,206	230,545	252,751	93·9	89·7	—	115·6	100·7	—	$2\frac{1}{2}$ to $4\frac{1}{2}$
1889 - -	14,863	6,535	8,328	—	6,853	6,566	287	—	21,716	13,101	8,615	—	699,112	15	699,127	103·2	89·	—	124·9	104·7	—	$3\frac{1}{2}$ to 3
Total, 1885–89	47,531	45,257	2,274	Net Import.	43,509	33,439	10,070	Net Import.	91,040	78,696	12,344	Net Import.	2,663,210	593,158	3,256,368	—	—	—	—	—	—	—
Average -	9,506	9,051	455		8,702	6,688	2,014		18,208	15,739	2,469		532,642	118,632	651,274	—	—	—	—	—	—	—
1890 - -	5,267	10,592	—	5,325	7,531	6,313	1,218	—	12,798	16,905	—	4,107	824,112	—	824,112	103·7	94·4	—	130·4	115·7	—	3·

NETHERLANDS INDIA.

Exports and Imports.

Year.	Imports.						Total Imports.	Exports.						Total Exports.	Surplus. Exports.
	Merchandise.			Treasure.				Merchandise.			Treasure.				
	Government.	Private.	Total.	Government.	Private.	Total.		Government.	Private.	Total.	Government.	Private.	Total.		
	f.	*f.*	*f.*	*f.*	*f.*	*f.*	*f.*	*f.*	*f.*	*f.*	*f.*	*f.*	*f.*	*f.*	*f.*
1875	3,774,817	108,173,223	111,948,040	4,245,000	9,479,213	13,724,213	125,672,253	41,474,490	130,768,924	172,243,414	—	4,832,552	4,832,552	177,075,966	51,403,713
1876	4,403,938	109,177,424	113,581,362	715,000	7,215,338	7,930,338	121,511,700	51,168,108	154,229,384	205,397,492	—	8,122,276	8,122,276	213,519,768	92,008,068
1877	9,671,954	112,695,304	122,367,258	17,966,000	13,371,158	31,337,158	153,704,416	57,116,672	161,863,449	218,980,121	—	1,529,915	1,529,215	220,509,336	66,804,920
1878	12,579,565	103,391,069	115,970,634	10,000,000	14,478,725	24,478,725	140,449,359	38,290,204	134,200,112	172,490,316	—	7,477,305	7,477,305	179,967,621	39,518,262
1879	8,640,039	128,166,654	136,806,693	6,500,000	11,344,920	17,844,920	154,651,613	37,382,782	134,491,534	171,874,316	—	3,869,950	3,869,950	175,744,266	21,092,853
1880	12,514,860	145,298,319	157,813,179	3,425,000	12,175,741	15,600,741	173,413,920	37,177,478	133,893,340	171,070,818	—	3,579,039	3,579,039	174,649,857	1,235,937
1881	8,260,764	139,848,716	148,109,480	250,000	10,300,839	10,550,839	158,660,319	32,180,804	143,690,545	175,871,349	—	1,254,411	1,254,411	177,125,760	18,465,441
1882	8,564,975	141,677,075	150,242,050	1,699,500	11,020,529	12,720,029	162,962,079	29,811,785	166,974,074	196,785,859	—	3,074,968	3,074,968	199,860,827	36,898,748
1883	8,001,585	130,492,770	138,494,355	420,000	6,908,530	7,328,530	145,822,885	50,721,409	148,080,119	198,801,528	—	759,973	759,973	199,561,501	53,738,616
1884	11,315,163	137,964,066	149,279,229	—	72,739,708	12,739,708	162,018,937	34,383,321	154,247,866	188,631,187	—	1,084,610	1,084,610	189,715,797	27,696,860
1885	4,215,579	119,153,116	123,368,695	920,000	14,579,088	15,499,088	138,867,783	16,379,870	168,749,349	185,129,219	—	2,942,469	2,942,469	188.071,688	49,203,905
1886	3,804,593	112,882,718	116,687,311	—	10,049,116	10,049,116	126,736,427	25,185,390	158,070,631	183,256,021	—	2,964,145	2,964,145	186,220,166	59,483,739
1887	3,274,397	116,381,561	119,655,958	—	6,623,442	6,623,442	126,279,400	19,802,907	166,619,387	186,422,294	—	736,493	736,493	187,158,787	60,879,387
1888	4,141,871	119,336,104	123,477,975	—	16,152,075	16,152,075	139,630,050	20,358,278	163,070,339	183,428,617	—	668,816	668,816	184,097,433	44,467,383
1889	5,009,445	139,914,805	144,924,250	8,000,000	20,460,521	28,460,521	173,384,771	33,072,175	164,131,047	197,203,222	—	459,392	459,392	197,662,614	24,277,843
1890	5,602,351	141,322,087	146,924,438	4,000,000	9,249,279	13,249,279	160,173,717	17,148,178	158,747,522	175,895,700	—	653,920	653,920	176,549,620	16,375,903

UNITED STATES.

(Information obtained from Mr. Giffen.)

	Dollars.
Total paper currency	895,000,000
Of which, Gold Certificates	121,000,000
Silver „	327,000,000
Currency „	16,000,000
Treasury Notes	107,000,000
Greenbacks	322,000,000
	893,000,000

Besides this, the banks have issued about $150,000,000 of their own notes.

STATEMENT showing the EXCESS of IMPORTS over EXPORTS (+) or EXPORTS over IMPORTS (−) of SILVER into or from CHINA, in TRADE with UNITED KINGDOM, FRANCE, BRITISH INDIA, and the UNITED STATES, in the under-mentioned Years.

(In continuation of Statement on Page 315 of the Appendix to the 1st Report of the Gold and Silver Commission.)

(*Note.*—No official statistics of the bullion and specie imports and exports of China are published. The particulars have been extracted from the Official Trade Accounts of the under-mentioned countries.)

Years.	United Kingdom.	France.	British India.*	United States.†	Total Excess. Imports (+) Exports (−).
	Thousand £	Thousand £	Thousand £	Thousand £	Thousand £
1884	+761	+50	−527	+1,821	+2,105
1885	+374	+49‡	−1,011	+2,943	+2,355
1886	+427	−189	−2,730	+2,080	−412
1887	+332	+9	−1,152	+2,208	+1,397
1888	+149	Not distinguished.	−1,592	+1,570	+127§
1889	+405	+180‡	−1,900	+2,834	+1,519
1890	+391	+107‡	−902	+2,096	+1,692
1891	+279	+391‖	−3,546	+849	−2,379

* Years ended 31st March.
† Years ended 30th June.
‡ For these years the imports of silver from China into France are not separately stated, but they are believed to have been small. The excess given in the table may therefore require a slight correction.
§ Exclusive of France.
‖ Provisional figures, and subject to rectification.
Note.—Foreign moneys have been converted at the following rates:—Francs at the rate of 25, rupees at the rate of 10, and dollars at the rate of 4½, to the £ sterling.

ANNUAL PRODUCTION OF SILVER IN THE WORLD.

—		Average.
	Kilos.	Kilos.
1851–55	—	886,115
1856–60	—	904,990
1861–65	—	1,101,150
1866–70	—	1,339,085
1871–75	—	1,969,425
1876	2,323,779	
1877	2,388,612	
1878	2,551,364	2,450,252
1879	2,507,507	
1880	2,479,998	
1881	2,592,639	
1882	2,769,065	
1883	2,895,520	2,812,908
1884	2,957,322	
1885	2,849,995	
1886	2,902,471	
1887	3,021,585	
1888	3,385,606	34,59,201
1889	3,842,109	
1890	4,144,233	
1891	—	4,493,100
1892	—	4,730,647

Note.—The amounts from 1851 to 1884 are estimates of Professor Soetbeer, published at page 147 of the Appendix to the Final Report of the Gold and Silver Commission, and quoted at paragraph 12 of that Report.

The amounts from 1885 to 1892 are from the Reports of the Director of the Mint of the United States.

For the years from 1889 to 1892, M. Ottomar Haupt, in a recent newspaper article, gave the following figures:—For 1889 kilos. 3,901,000; for 1890, kilos. 4,180,000; for 1891, kilos. 4,480,000; for 1892, kilos. 4,900,000.

The silver production of the world in 1890 was estimated at 4,144,233 kilogrammes.

Taking 32·15 ounces as equivalent to a kilogramme, this represents an annual production at that time of 143,237,091 ozs..

Under the Bland Act of 1878, the United States Mint purchased 24,000,000 dollars' worth of bullion in the year, each dollar containing 412½ grains of standard silver, which gives the consumption during the year for coinage as equal to 20,625,000 ozs.

Under the Sherman Act of 1890 the purchases were raised to 54,000,000 ozs. annually. Therefore, from the date of the passing of that Act, the Mint took off the market an amount of 33,375,000 ozs. annually more than before, or more than 25 per cent. of the total production of the world at that date.

Sale of Indian Opium in China.

Years.	Bengal Opium.							Malwa Opium.					Exchange on India at	
	No. of Chests sold in Calcutta.	Patna Opium: Price at			Benares Opium: Price at			Rate of Duty per Chest.	No of Chests passed for Export.	Price at			Hong Kong, per 100 Dollars.	Shanghai, per 100 Taels.
		Calcutta.	Hong Kong.	Shanghai.	Calcutta.	Hong Kong.	Shanghai.			Bombay.	Hong Kong.	Shanghai.		
		Rs	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	Rs.
1869	44,915	1,289	1,338	1,381	1,234	1,301	1,356	600	36,040	1,438	1,478	1,537	226	303
1870	48,000	1,134	1,216	1,233	1,075	1,154	1,208	„	41,252	1,438	1,457	1,506	227	305
1871	52,000	1,331	1,380	1,406	1,300	1,354	1,373	„	39,757	1,433	1,446	1,480	226	308
1872	42,900	1,432	1,485	1,460	1,389	1,443	1,447	„	42,251	1,347	1,375	1,386	227	310
1873	42,000	1,305	1,369	1,350	1,229	1,298	1,292	„	44,772	1,336	1,360	1,395	228	306
1874	45,000	1,242	1,300	1,306	1,200	1,260	1,277	„	49,103	1,308	1,320	1,377	223	306
1875	45,000	1,269	1,320	1,322	1,212	1,270	1,284	„	42,005	1,268	1,272	1,322	223	306
1876	47,000	1,309	1,350	1,350	1,244	1,285	1,305	„	49,352	1,285	1,297	1,340	227	310
1877	48,000	1,300	1,353	1,362	1,230	1,290	1,311	600—650	45,808	1,366	1,375	1,446	226	308
1878	54,000	1,283	1,297	1,322	1,197	1,240	1,276	650	38,185½	1,712	1,689	1,776	223½	310
1879	60,000	1,189	1,233	1,236	1,113	1,158	1,170	650—700	44,125½	1,652	1,682	1,725	223	305
1880	56,400	1,361	1,406	1,411	1,291	1,329	1,342	700	35,744	1,752	1,712	1,750	225	308
1881	56,400	1,358	1,380	1,401	1,345	1,379	1,397	„	37,788	1,616	1,596	1,635	224	308
1882	56,400	1,260	1,295	1,314	1,220	1,256	1,283	700—650	32,639	1,433	1,435	1,418	223½	307
1883	55,150	1,264	1,299	1,303	1,216	1,254	1,266	650	39,570½	1,238	1,225	1,227	224	308
1884	47,550	1,303	1,339	1,335	1,273	1,314	1,322	„	42,347½	1,244	1,231	1,257	225	307
1885	49,992	1,281	1,318	1,327	1,231	1,256	1,284	„	37,354	1,193	1,201	1,234	224	306
1886*	54,000	1,169	1,202	1,208	1,139	1,156	1,184	„	43,392	1,197	1,197	1,225	223½	309
1887	57,000	1,091	1,127	1,132	1,044	1,079	1,088	„	37,217½	1,199	1,194	1,210	222½	307
1888	57,000	1,102	1,140	1,132	1,077	1,108	1,118	„	31,820	1,333	1,305	1,317	223	307½
1889	57,000	1,177	1,206	1,204	1,142	1,180	1,185	„	32,448	1,311	1,324	1,317	224	309
1890	57,000	1,062	1,085	1,089	1,047	1,074	1,081	650—600	28,842½	1,173	1,158	1,184	221	307
1891	57,000	1,057	1,086	1,090	1,019	1,055	1,064	600	31,350†	1,166	1,128	1,124	221½	307

* Cheefoo Convention.

† Approximately.

COMPARISON OF THE PRICE OF BAR SILVER WITH THAT OF GOLD, AND WITH THE RUPEE.

Price of Bar Silver per Oz.	Ratio of Silver to one part of Gold.	Cost of a Rupee.	Cost of a Rupee.	Price of Bar Silver per Oz.	Ratio of Silver to one part of Gold.
d.	*d.*	*d.*	*d.*	*d.*	*d.*
62	15·073	23·746	24	62·663	14·913
61	15·320	23·363	23½	61·536	15·186
60	15·575	22·980	23	60·052	15·561
59	15·839	22·597	22½	58·747	15·907
58	16·112	22·214	22	57·441	16·268
57	16·395	21·831	21½	56·136	16·647
56	16·688	21·448	21	54·830	17·043
55	16·991	21·065	20½	53·525	17·459
54	17·306	20·682	20	52·219	17·895
53	17·632	20·299	19½	50·914	18·354
52	17·971	19·916	19	49·608	18·837
51	18·323	19·533	18½	48·303	19·346
50	18·690	19·150	18	46·997	19·884
49	19·092	18·767	17½	45·692	20·452
48	19·469	18·384	17	44·386	21·053
47	19·883	18·001	16½	43·081	21·691
46	20·315	17·618	16	41·775	22·369
45	20·766	17·235	15½	40·470	23·090
44	21·239	16·852	15	39·164	23·861
43	21·733	16·469	14½	37·859	24·683
42	22·250	16·086	14	36·554	25·564
41	22·193	15·703	13½	35·248	26·512
40	23·363	15·320	13	33·943	27·531
39	23·962	14·937	12½	32·637	28·633
38	24·592	14·554	12	31·332	29·825
37	25·257	14·171			
36	25·958	13·788			
35	26·700	13·405			
34	27·485	13·022			
33	28·318	12·639			
32	29·203	12·256			

APPENDIX III.

MISCELLANEOUS LETTERS, &c., LAID BEFORE THE COMMITTEE.

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INDIAN CURRENCY SCHEME of Mr. H. F. Aston, Bombay Civil Service.

1. The existing Indian Coinage Act is based upon a fallacy. It acknowledges gold as an ideal of value, but it adopts silver as a legal standard of value, with an underlying false assumption that the then existing ratio of values of gold and silver would not materially alter. It fixes the standard weight of the rupee on the assumption that the said ratio would remain about 15½ to 1.

It has maintained that coin as a standard of value long after that ratio has seriously altered, and has thus encouraged a false sense of security in silver-dominated mines, removed from the influence of gold as a test of value.

Conclusion.—When gold is accepted as a standard of value, then, if the ratio of the values of gold and silver cannot be fixed, the weight of silver of a silver standard coin *cannot be fixed for indefinite periods.* The silver-using country ought to have periodical recoinages to maintain the gold value of its standard silver coin by increasing its weight.

2. Further depreciation can at once be arrested by a sliding seignorage, proportionate to the decline in the market value of silver. When this decline is shown to be established, the inflation of the currency must be cured by increasing the weight of the rupee. If the coinage law makes it necessary to add the seignorage value in silver to the rupee, after it has reached a certain level, or been taken for a given number of years, instead of crediting the seignorage to Government, the cure becomes automatic.

3. If the currency is appreciated up to a decided limit by closing the mints, or a tax on silver, or seignorage, or other device, then at a certain limit the old coins which become practically light coins ought to be recalled, and a new coinage issued of heavier rupees.

4. India can arrange with, say America, to take 10,000,000*l.* worth of silver, with option to repeat another purchase of the same quantity, at the same price, if wanted, and arrange a gold loan to pay America, and thus recall its silver coins and issue heavier ones. The rise in the gold exchange value of the rupee, in which India gathers its revenue, will more than recompense the Indian Treasury. The tax-payer will not suffer any more than if copper coins were recalled, and plated ones of greater intrinsic value substituted for them.

5. If the Indian Government fears to enter on such an operation, then it need not undertake the cost of a recall of the tola rupee and re-issue of heavier rupees. It can fix a date after which the tola rupee will be legal tender only for certain amounts, to cover all transactions in local markets ruled by a silver standard and not influenced by gold. The new and heavier rupee to be then coined as legal tender for larger amounts, and restrictions on coining the heavier rupees removed.

This can be accompanied by issuing paper currency notes, expressed in gold mohurs or English pounds sterling, *exchangeable at the currency office, not into gold, but into rupees at the foreign exchange rate of the day.*

6. There will then be a gold standard in India, and a silver *coin* and silver standard of value kept corrected by a gold standard, and therefore more reliable as a standard of value.

H. F. ASTON, I.C.S.

Ratnagiri, 15th December 1892.

NOTE sent for the consideration of the Indian Currency Committee by Mr. ATKINS, formerly Financial Under Secretary to the Government of Bombay.

THE CURRENCY OF INDIA.

At some stage or other in the fall of silver, if silver continues to fall, the Government of India will be compelled to repudiate either its gold debt or its guarantees to landholders, unless it effects, in good time, a sufficient change in its currency. This is virtually an axiom, and I need not attempt to prove it. The practical question is, What change in currency should be made?

Universal bimetallism is, I believe, correct in principle. But I fear we shall not get it for several years to come; and in the meantime the United States of America may take action which will positively render India bankrupt. A gold currency for India has some advantages, but also some serious disadvantages. I do not propose to investigate these, as the scheme has already been, and will continue to be, discussed thoroughly by those who have made it their speciality. My object is to suggest a paper currency, which will, I think, possess

some of the principal advantages of a gold currency, without entailing some of the principal disadvantages thereof, and which at the same time will offer no hindrance to the introduction of bimetallism in the future.

The leading idea of this paper currency scheme is very similar to that underlying the article on "A Common Sense Currency" in the "Westminster Review" for October 1892. National credit, instead of metal hoards, would be the basis of the paper money. But my proposed paper money, instead of being merely secured by Government stock deposits, would actually consist of Government stocks. The unit note would be a pound share in India gold stock. Let us for convenience call this unit a "Bon." There would be notes for a Bon, ten Bons, a hundred Bons, and a thousand Bons, and the last three might respectively be termed "Dekabons," "Hektobons," and Kilobons;" "Hektobons" and "Kilobons" would bear (gold) interest in exactly the same way as India gold stock does at present; but, for purposes of practical convenience, it would be desirable to pay no interest on "Bons" and "Dekabons," though these would be freely changed by Government for notes of higher denomination, and *vice versâ*. Government taxes in India would be at once converted from rupees into "Bons" at the rate of 16 rupees to a "Bon," and Government fixed payments in India would be similarly converted, future receipts and payments in both India and England being arranged for in "Bons." Persons in want of "Bons" would have to buy with gold or silver India gold stock in the market, and this stock they could convert at Government treasuries into "Bons" of any denomination they chose. Silver would be treated, as in England, as merely token currency, there being a fixed limit to its use as legal tender. This restriction would not appreciably, I think, affect India's demand for silver.

Now let us turn to the India Office gold payments. The Secretary of State, instead of selling silver Council Bills for gold, would sell India gold stock for gold. Except at the very commencement (when his sales would be virtually equivalent to a new loan), the stock sold by him would consist of the "Bons," &c., received by him from India, and obtained by the Government of India in payment of revenue. The Secretary of State would thus exchange his *rôle* of Exchange-jobber-broker for the *rôle* of Stock-jobber-broker. There is no reason, I think, why under this scheme the market price of India gold stock should be lower, on an average, than it is at present, for there would be the same demand as at present on the part of investors, and, in return for the increased "supply" of stock in the market, there would be an at least equal increase in the demand, the new demand being on the part of persons requiring to make trade remittances to India. The latter would be forced to buy, for they would not have their present alternative of remitting silver bullion to India, inasmuch as a "Bon" would presumably have as high a gold or silver value in India as in England. If the balance of trade continued, as seems probable, to be in favour of India, there would be a tendency for India gold stock to rise in price (on account of the increased demand) in the English market, and to find its way to India even faster than the new "Bons" were issued by the Secretary of State.

Now suppose, after this scheme was in full working order, bimetallism were generally adopted. All that would be necessary would be to declare that a certain weight of gold or of silver should be treated as the equivalent of a "Bon." The Government of India, either in India or in England, would then have the alternatives of making its payments in gold or silver or Bons, just as, at present, it has in England the alternative of paying in gold or gold notes, and in India the alternative of paying in silver or silver notes. Private individuals also, in making payments either to one another or to Government, would have the same alternatives.

My scheme would, I suggest, save India from the financial perils which, in the event of no currency reform being made, would certainly follow a large drop in the rupee consequent upon the uncontrollable action of the United States or even of some European nations. It is more sure to attain this object than the scheme for closing the Indian mints. It would secure more public confidence than a scheme for introducing a gold standard without a gold currency. Lastly, it would not entail the enormous cost of a real gold currency, combined with the unfathomable dangers of immense appreciation of gold *cum* depreciation of silver, and of a gold famine in the money markets of the world, which are by some persons anticipated as the result of India attempting to set up a real gold currency. To these dangers no prominence is given in Mr. Clarmont Daniell's gold currency scheme. But that gentleman, unfortunately, seems to stake his all on the somewhat sanguine expectation that the Indian gold hoards would promptly be drawn forth from their hiding places, converted into coin, and put into circulation.

J. De Courcy Atkins,
Bombay Civil Service.

31st October 1892.

Gold Currency.

Letter from the Rev. G. T. Carruthers, formerly Chaplain in Bengal.

2, Marine Park,
New Church Road, West Brighton,
Sir, December 23, 1892.

In the event of its being decided by your Committee that no advantage can be obtained by disturbing the present relations between silver and gold, it will probably be necessary to increase the taxation of India.

May I suggest that the most popular form of taxation would be the payment of a tithe or tenth part of the sum to be collected in gold. Thus let the "Rex" be a gold coin similar to the sovereign and of the same weight and fineness, but having a nominal value of 10 rupees. Then a tax of 100 rupees would be collected in the form of 1 rex and 90 rupees; a tax of 200 rupees would be collected in the form of two gold coins and 180 rupees, and so on.

The value of the rex might be fixed from day to day in terms of silver, until there is enough gold in the country to enable a sufficient number of "Rexes" or "Reges" to be accumulated for the purpose of paying the taxes. If the value at which the gold would be issued from the mint in terms of silver should exceed the market value, there would, of couse, soon be a sufficient quantity of gold presented for coinage by the people; but, to prevent "jobbery," the English sovereign might be permitted to be presented as the equivalent to the rex in taxation, so that the price of the sovereign in the market would be a check upon the price in silver at which the rex would be issued from the mint. When the quantity of gold in India becomes so great that the tithe can readily be collected in gold, the Government would cease selling gold for silver, and would simply coin whatever bullion is presented to it.

The people whose tax would produce a tithe amounting to less than a rex or 10 rupees would still be dependent on the formal rate of exchange between silver and gold proclaimed from day to day by the Government, but as they could give a rex and ask back the change they would not necessarily be cheated.

I remain, &c.
G. T. Carruthers,
Chaplain (retired).

The Chairman of the
Indian Currency Commssion.

Monetary Standard of India.

Memorandum by Mr. R. B. Chapman, C.S.I., Secretary to the Government of India in the Department of Finance and Commerce from 1869 to 1881.

Every civilised country recognises some substance as its standard of value, in terms of which all commercial exchanges and contracts are made; the complicated transactions of the most backward of such communities would be impossible without this device.

The standard money of a community consists of portions of this substance, of certified weight and purity, and its intrinsic value is that of the standard substance. The intrinsic value of standard money must not be confounded with the value of money in the money market, which means the rate of interest at which it can be borrowed or lent, not its value measured in other commodities.

Instruments of credit, such as bank notes, cheques, bills of exchange, &c., have no intrinsic value; their

value depends upon their convertibility into standard money, and varies from that of standard money only when there is some uncertainty or delay in their convertibility. Subsidiary coins, in the same way, are valued, not intrinsically, but by their convertibility into standard money.

Although value is, of necessity, a fluctuating attribute, and is, therefore, not susceptible of precise definition, like the material attributes of weight or space, length or breadth, &c., yet every exchangeable object occupies, at any given moment, a definite place in the general scale of values. The places in this scale of some objects are subject to much more violent oscillations than those of others. It is essential to the efficiency of a standard of value that its own place in the scale of values should fluctuate seldom and within the narrowest possible limits; for, from its every fluctuation, injustice automatically results to every one in possession of the money of the standard or under engagements measured in this money.

Among civilised nations, gold, silver, and gold and silver yoked together, are the only recognised standards of value. Till 1873, the third of these standards, now commonly known as the bi-metallic standard, had, in fact, for long, been the standard of the civilised world, its use by the Latin Union and in other European States governing the relative value of the two metals, even in countries where, as in England, gold, or, as in India, silver, was nominally the sole standard.

Bi-metallists (so called) advocate the rehabilitation, and, if it may be, the universal adoption of this standard, because they believe that, owing to its compensatory character, its value must be indefinitely more stable than that of either of the two precious metals independently. Despite all arguments to the contrary, they know that this composite standard is practicable, from the fact that it prevailed, in some form, from time immemorial, and, in a recognised form, in western Europe for the first three-quarters of the nineteenth century, during which period it bore, undisturbed, the strain of the unprecedented discoveries of gold in 1849 and 1851. They believe that the economic consequences of the fall in the value of gold which followed those discoveries were far less serious than they must have been had gold been then, as it is now, the sole recognised standard of value in Europe (excepting Russia) and America; and, now that the commercial world is threatened with the much greater danger of a progressive rise in the value of gold, and even of the two precious metals combined, they are the more urgent that the evil may be, as far as possible, mitigated by the re-establishment of the system whose efficacy has been thus recently signally experienced.

The grounds of the apprehension that there is likely to be a progressive rise in the value of the precious metals, which would be disastrously aggravated if one of them should be disestablished, and which cannot be wholly prevented (though it may be much mitigated), even by the best possible combination of the two, may be briefly stated. Even though the production of the precious metals should be as abundant as argurophobes fear, still their supply must be strictly limited. The ultimate residual demand for these metals, that which governs their position in the scale of values, is in order to hoard or store, for future use, the value of the surplus or unconsumed products of human industry. Now the growth of this surplus, already immense, is practically unlimited, The consequence must be an ever increasing pressure upon the precious metals; their equivalent in industrial produce must continually grow; in other words, the outlook is for a progressive fall in prices, which is likely to go on, if unchecked, till production is discouraged and commerce paralysed. The question whether this forecast is or is not well founded, ought not to be lightly dismissed; whether or no, there seems enough reason in it to make it appear something akin to madness to take any step calculated to narrow the basis of the standard of value, and so to hasten a catastrophe which is at all events possible.

The position of a commodity in the scale of values is the outcome of a comparison between the demand for it and its supply. Which of the two contributes the larger share to its value depends, chiefly, upon the nature of the commodity. The value of a perishable commodity, such, for example, as fish or even grain, the demand for which varies within narrow limits, fluctuates in prompt accord with the fluctuations of the supply. When, like the precious metals, a commodity is practically imperishable, its stores act as a distributing reservoir, and its value fluctuates with the level of the reservoir, and is but slightly, if at all, affected by the supply, the volume of which bears a constantly diminishing proportion to the reservoir which it feeds. In these cases it is the demand which chiefly governs the value, the supply being always on offer, and, under ordinary circumstances, practically free from fluctuations.

The ultimate demand for the precious metals is for the purpose of storing value, whether in the shape of coin or bars, or ornaments, or even ore. This use of them it is which constitutes their preciousness; if either of them should be generally rejected for this function, it would cease to be "precious."

Standard money is accepted, and engagements are made in terms of money, subject to the inevitable natural fluctuations of its intrinsic value, but in the faith that it will not be, intentionally and wilfully, disturbed. A State which interferes purposely to change the intrinsic value of money incurs a responsibility, the weight of which can be measured only by the far-reaching consequences of such interference. Every increase to the intrinsic value of money adds to the money obligations of every member of the community; every decrease diminishes them. A certain unjust steward once arranged for a surreptitious reduction of the debts due to his lord; it would have been a more cruel injustice if he could have devised surreptitiously to increase them. Yet this is exactly the effect that must be produced by an increase in the intrinsic value of money; as surely so as if an edict were issued (and obeyed) for the addition of a per-centage to every debt in the country. The most powerful Government that ever existed would fail to enforce such an edict; and an order for the increase of the value of the standard money would, if its effects were understood, produce a revolt. It would not be understood; but, to a conscientious Government, this is only a powerful reason for taking no such action, except under an overwhelming sense of responsibility and compulsion.

It is not meant to affirm that under no circumstances should the State take any measure affecting the value of the standard money; for it is its prerogative to guard the value of its standard against attack, and to counteract, if possible, any extraordinary influence adverse to its stability; but it should be prepared with an unanswerable justification of its interference, more particularly when such interference has for its object, not the relief of debtors by a reduction of the intrinsic value of money, but an enhancement of their burdens by its increase.

One of the most calamitous results to the civilised world, of the Franco-German war of 1870, was the demonetisation of silver by Germany, consummated in 1873, which led to the abandonment of the composite standard by the Latin Union and Western Europe generally and the United States of America. Since then gold has been left to discharge, comparatively alone, throughout the greater part of the commercial world, the whole duty which had, till then, been borne by gold and silver conjointly. The consequence has been a progressive increase of the pressure on gold, and a continual rise of its position in the scale of values. All are familiar with the disastrous fall of prices and dislocation of trade in which this increase of the value of gold has manifested itself; there is too much reason to fear that the evil impetus which originated 20 years ago is far from being exhausted, and that it has, perhaps permanently, overthrown the equilibrium of values, the want of which paralyses trade. Had Germany understood the monetary revolution she was initiating, she would surely have paused, even in the intoxication of her great victory; and, had the other nations perceived it, they would have abstained from rashly following, in their panic, the example of Germany, and would have indeed been more than justified in endeavouring to neutralise its evil influence by any practicable means; but neither Germany nor the rest perceived what they were doing, and so the mischief was done.

When two countries use the same standard of value, be it bad or good, there can be no important variations in the relative value of their moneys; but, when they use different standards, every fluctuation in the value of either is shown, at once, in the exchange between them, and, if the values of the two standards move in opposite directions, the fluctuations of the exchange may be considerable; there is, indeed, nothing to connect them together. There has been a disconcerting

illustration of this in the course of the exchange between Great Britain and India since the abandonment, in other lands, of the composite standard which, however little either country recognized its influence, effectually linked their standards together. The immediate result of the demonetisation of silver in 1873 was the violent disturbance of the equilibrium then existing between gold and silver, which has not yet been replaced by any fresh equilibrium, and, unless the composite standard is restored, never will be. Since then, the relative value of the two precious metals has been utterly unstable, the prevailing tendency being to the widening of the interval between their separate values, which is now a full third greater than it was. An ounce of standard silver, which, before 1873, was worth 60*d*., or one-fourth of 1*l*., is now worth only 38*d*., or less than one-sixth of 1*l*.

The inconvenience has gradually become so acute that a committee has been appointed to investigate and report upon it. Simultaneously an international conference has been convened to discuss the whole question in its general bearings.

In order that the phenomena may be rightly understood, it is essential that there should be no false diagnosis of their causes. What has induced the divergence of the values of the two metals? Has the value of gold increased, or has the value of silver decreased, or is the divergence due partly to the one cause and partly to the other? The right answer to these questions will prevent an empirical treatment of the evil which would indefinitely aggravate the disease, while possibly, for a time, hiding it from superficial observation.

There are, indeed, especial reasons for caution in dealing with the evil as affecting India, in that the present trouble is felt, not by the people of India as a whole, but only by those interested in the foreign commerce of India, and by foreign sojourners, represented chiefly by the British officers of the Government, none of whom ever relinquish their British domicile.

The sufferings of these important classes must not, indeed, be disregarded or under-rated. By the use of the telegraph and other devices, the inconvenience to trade, of a fluctuating and untrustworthy exchange, can be minimised and, as affecting current transactions, to a large extent even neutralised; for the duration of such transactions is usually too short for them to be seriously affected by exchange vicissitudes. Even, however, from those whose interests are confined to such current transactions, grave complaints have arisen of the uncertainty of the present exchanges; and merchants engaged in extended operations, and bankers, cannot possibly keep their assets thus liquid. Large amounts of British capital are being continually locked up in trade or otherwise invested in India, a process the development of which is most desirable in the interests of India. The owners of such capital are alarmed, and the healthy expansion of such investments is discouraged, by the progressive fall in the gold value of the rupee. Such capitalists will not console themselves with the assurance, however well founded, that, though their silver capital represents an ever-dwindling amount of gold, yet the value of their gold has increased and is increasing equivalently. However true this may be, and it is largely true, it is impossible to convince foreign capitalists, who are suffering, as they believe, from the decrease in the sterling value of the rupee, that they obtain any practical compensation from the corresponding increase in the value of sterling money: and, in at least one sense, they have, at first sight, good reason for their prejudice. The owners of gold possess a property to which, at present, there perpetually accrues an unearned increment which is sacrificed when they exchange their gold for silver, in which form their property is seriously threatened with an undeserved decrement, if indeed this decrement have not already begun. It is not readily perceived that the appreciation of the gold of a capitalist involves this grave disadvantage, that it makes it difficult for him to obtain a safe profit from his capital, because, the more the value of gold is enhanced, the less the interest obtainable for its use: for lenders, as well as borrowers, in the money market, a steady standard is really the most advantageous. At all events, most capitalists will, under present circumstances, prefer to have their capital stored in gold; will be uneasy if it is stored in silver; and will require burdensome inducements before they will consent to transfer capital from gold to silver.

As regards the foreign sojourners, such compensation as they obtain for the shrinkage in the sterling value of their incomes, from the decrease in gold prices, great as this decrease has been, is, to a large extent, concealed, if not counteracted, by the fact that much, perhaps most, of their sterling expenditure takes the form of customary or contract payments, such as school bills, servants' wages, house rent, &c., which do not, immediately or obviously, respond to an increase in the value of the standard; and even, too, when they do benefit by the prevailing cheapness, such persons are apt, foolishly it may be, but naturally, to take advantage thereof, rather to extend their comforts than to curtail their expenditure. Hence the familiar rejoinder to the suggestion that things are cheaper, "Yes, but the mode of living is more costly."

The sufferings, therefore, of the foreign sojourners in India, and, what is, economically, of far greater importance, the discouraging losses of those engaged in the foreign commerce of India, or in the development of India by British capital, are real and serious, and must, indirectly, entail loss upon the whole of India, because the importation of capital is impeded, and because foreign residents must be compensated. In many cases, such compensation has, long since, been conceded; for years past, no European mechanic has been willing to accept service in India, except upon condition that a substantial part of his wages be paid in sterling money at the rate of two shillings per rupee. In short, the English in India obstinately decline to acknowledge any but the sterling standard. Nor are they alone among their countrymen in their inveterate assumption that, all evidence to the contrary notwithstanding, the value of gold is an immutable standard, the efficiency of which admits of no discussion.

The chief evils which have led to the appointment of the Indian Currency Committee have now been set forth without palliation or reserve. But the pressure of the interests which bear the brunt of these evils must not obscure the fact that they do not, directly, affect the body of the people, or touch the myriad transactions of the 290 millions of India which are settled by the silver standard, and into which the sterling standard does not in any way enter. To tamper with the monetary standard of this vast population, for the sake of what is relatively a small, and mainly a foreign, interest, would savour of setting another person's house on fire to roast one's own sucking pig; it would, indeed, be something like the betrayal of a national trust, a trust all the more weighty and binding, in that Great Britain does not, in its discharge, take the people themselves into council, but reserves the whole undiluted responsibility to herself.

So far as the indigenous interests of India are concerned, it is absolutely certain that, but for the fluctuations of the sterling exchange, Great Britain would be no more aware than the people themselves actually are, that there is any defect in their standard of value at all, and would not entertain the idea of interfering with it. There is, in fact, no evidence whatever that, as yet, the Indian standard has lost efficiency. Doubtless, it was to be expected, *à priori*, that the transfer of pressure in Europe and America in 1873 from gold conjoined with silver, to gold alone, while it increased the value of gold, would have decreased the value of silver, disturbing the equilibrium between the two metals by a double process. There is, however, only one method of detecting fluctuations in the value of one of the precious metals, namely, a comparison of prices. Tried by this test, silver is not found to have lost stability yet. Hitherto, there has been little or no diminution of the purchasing power of silver; rather, till lately, was there some increase of such power. And no distinction exists, in this respect, between India and the rest of the world; value is cosmopolitan and observes no geographical or political boundaries; it is as inconceivable that value in India can be independent of value in Europe, or *vice versâ*, as that water should not seek its own level. The statement may be received with incredulity; but it is a fact that silver exchanged for gold has, still, as much purchasing power in Europe, as it had before the monetary revolution of 1873, the fall in gold prices being fully equivalent to the rise in the silver price of gold.

It is not asserted that no silver prices have risen, or even that no gold prices have risen. The phenomena cannot be discerned in such simple fashion. Many silver prices have risen: for example, the wages of skilled labour, the demand for which has happily increased with the growing wealth and prosperity of India. What is asserted is that, if the whole scale of values be impartially surveyed and its present condition compared with its condition in 1870, the position of silver therein will not be found to have fallen; such,

at least, was the fact recently. At the same time, it is certain that there are renewed apprehensions that silver will soon lose value, and it is possible, indeed, that the fall is actually begun, the agitation for the abandonment of the silver standard in India being most detrimental to the value of the metal.

The alarm and indignation felt and expressed at the prospect of a decrease in the value of silver, contrasts strangely with the apathy and equanimity with which the rise of gold which has actually occurred is viewed; a rise which, as compared with 1870, probably exceeds 30 per cent. Yet, surely, a rise in the value of a standard, which unjustly benefits creditors at the expense of debtors, and paralyses industry and enterprise, is indefinitely more mischievous than a fall in the value of a standard with converse effects. The supreme desideratum is *stability*; but a falling standard is incomparably preferable to a rising standard. Can it be that the present ruinous rise in the value of gold excites no apprehension among capitalists, but is rather approved, because, oblivious of the adage about the goose that lays golden eggs, they instinctively, however erroneously, feel that the burden will be borne by their debtors alone, to their own gain? In any case, it is little creditable to the commercial intelligence of what should be the most intelligent commercial community in the world that, in this matter, Great Britain lags behind the other nations and has hitherto barred the road to reform.

It is assumed, then, that, but for the disturbance in the exchange with Great Britain, no alteration of the Indian standard of value would or could have been thought of, on any other ground than that the purchasing power of silver had undergone some violent change; and it is maintained that no such change has, in fact, taken place. If there is any doubt on this point, the first step to take is a public enquiry, such that the results may plainly appear to all. Is the exchange difficulty, grave as it doubtless is, sufficiently serious to justify an interference with the Indian standard on any less specific and defensible grounds? On the contrary, does not the apparent conflict between the interests of the general community and those of the chiefly alien foreign traders and residents, dictate special caution as to any measure affecting so delicate a part of the commercial machinery of all India as the standard of value?

It is necessary, however, to observe that there can be no real conflict between the interests of the foreign community and those of the country generally. On the one hand, the intelligence of that community may be trusted to perceive that any relief which it might, apparently, obtain by a measure injurious to the general interests, such as an otherwise unjustifiable enhancement of the standard of value, would be too dearly purchased. On the other hand, the whole country is so closely concerned with the prosperity of the foreign trade and the contentment of the foreign residents, that it might, wisely, consent to some sacrifices for their relief from unbearable adversity.

There is only one remedy for the fluctuations of the exchange between Great Britain and India, namely, the assimilation of the monetary standards of the two countries; there is, literally, no other conceivable method. It is of the utmost importance that there should be no illusions about this. Various schemes are suggested for the cure of the evil without an avowed and complete identification of the standards; it should be clearly understood that, in so far as any such scheme falls short of an actual unification of the standards, it is foredoomed to fail.

A common feature of all such schemes is that silver shall continue to be the money of India, but that, instead of depending upon its intrinsic value, it shall be artificially endued with an extrinsic value, based upon the value of gold, as if, in fact, it were gold. Such a device literally bristles with unsoundness and dangers; it would not, if it proved efficacious, avoid one of the fundamental objections to the introduction of a simple gold standard; it would, for example, produce a disastrous fall of prices, and destroy the value of the vast uncoined silver stores of India; and it would have the special disadvantage of leaving India without standard money, its currency being degraded to the status of tokens, and exposed to all the dangers and depredations to which "soft" money is subject. Let not the example of France be adduced in order to lull these apprehensions. The ancient silver standard money of France has undoubtedly been abased to the rank of tokens, and a tremendous evil this is for France; but France is fully supplied with true standard money, and its degraded silver legal tender money is largely kept out of sight as if ashamed to show its face, locked up in the cellars of the Bank of France,—gold and notes chiefly circulate. The same is believed to be true of America, where even the dollar of our fathers hides its diminished head and is safely warehoused; and in Germany. All these countries have dammed up great reservoirs of silver which constitute a constant danger, not to themselves alone; but they are, for the most part, stagnant, not current; and even if, under these circumstances, they have hitherto been protected from the depredations of false coiners, the same immunity can by no means be expected for the vast and active silver currency of India, if once it is made a field for the industry of such gentlemen.

The Indian Government currency notes are designed and manufactured with the highest attainable skill; their circulation is strictly limited, and is practically confined to especially intelligent classes; but we hear, from time to time, of their being ingeniously forged. What hope would there be for silver tokens circulating by crores among the ignorant masses of the population, with no motive, too, to detect fraudulent coin which might have the same intrinsic value as the genuine token?

Nor should the experience of the token silver currency of Great Britain tempt India, for this currency is strictly limited in amount, and by no means, even so, free from attack; it is, moreover, a source of great uneasiness to the financial authorities.

Remains the example of Netherlands India, the monetary system of which is believed to be exactly that which is under suggestion for British India; how far it has escaped from depredation is not known, but the whole volume of its silver coinage is not believed to be excessive, and cannot probably amount to a twentieth part of that of India. Moreover, it must be borne in mind that the demonetization of silver in India, involved in the adoption of this device as truly as in the straightforward introduction of a gold standard, would enormously depress the value of silver and increase the vulnerability of all such inconvertible token currencies, which are, essentially, no sounder or safer than an inconvertible paper currency, in many respects indeed not so defensible.

The one advantage of such inconvertible currencies over a full valued standard currency (it being assumed that they are *honestly* managed, on which point suspicion is not easily allayed) is the saving of the cost of the first outfit of the standard currency and of the excess in its waste over the current cost of its substitute. Now there is every reason to believe that the active circulation of metallic standard money is governed by the laws which regulate a sound banknote or subsidiary token currency, the volume of which is automatically ascertained and fluctuates within narrow limits; so that the cost would not be unlimited, though it would be serious, and might even not be too much to pay, in order to escape from the evils of an inconvertible token currency.

Moreover, an inconvertible currency, whether it be metallic or paper, is efficient only if limited strictly to the volume which, if the currency were standard money, or convertible into standard, would settle itself, without administrative interference. By what process the proper volume of an inconvertible currency is to be ascertained is not known; but, till it is practically ascertained, the device will be ineffectual; the inconvertible token will not be equivalent in nominal value to a standard coin, and, in the present case, the fluctuations of the exchange will not be fully corrected. In this connexion it is pertinent to remember that the stock of coined rupees in India is well known to be vastly in excess of the amount needed for the current transactions of the country. As in France, so in India, there has always been a habit of hoarding coined money. There is, therefore, much reason for thinking that the only effect of closing the mints to silver coinage would be to call out these sleeping hoards, and that it would be long indeed before the device, with all its objectionable features, would be fully effectual. It is probable that it never would be so.

Indeed, when it is remembered that the laws governing the volume of a standard money currency, which is freely hoarded, differ altogether from those regulating the volume of an inconvertible token currency, which cannot be hoarded, and that the closure of the mints to silver would destroy the preciousness of this metal, and change the present full-value currency of India into an inconvertible token currency of small intrinsic value,

it is, at least, conceivable that the measure might result in an actual reduction, not only of the intrinsic but of the nominal value of the rupee; truly an alarming possibility.

The assimilation or unification of the standards of the two countries might be effected in three different ways:—

I. Great Britain might abandon her gold standard, and adopt the silver standard of India.
II. India might abandon her silver standard, and adopt the gold standard of Great Britain.
III. Both countries might adopt one new standard, which, practically, must, doubtless, be a bimetallic or composite standard.

The first plan, though it would be certainly less injurious than the second, and, probably, even than the present monetary chaos, is not within the range of practical politics, and not, on its own merits, desirable; it need not therefore be discussed.

The second plan (including all the devices suggested to veil its true character) would, there is every reason to believe, entail disastrous consequences to India, to Great Britain, and to the world. It would inflict upon the value of silver the greatest blow which it has yet suffered. Silver probably retains its "preciousness" only in virtue of its use as the standard of value in India. If it should be deprived of this function, it would be, *ipso facto*, dethroned from the rank of a "precious" metal, and it might possibly prove that, once thus finally discredited, it could never regain its rank. Thus the mischief done might be found irreparable; confidence is a delicate plant, which, if rudely injured, cannot always be revived.

The store of silver, coined and uncoined, in India is estimated at 500 or 600 crores of rupees, and may be even larger. He would be a sanguine man who should count upon its retaining half its present value, when, the principal demand for it being destroyed, it ceased to be "precious." The rest of the world contains probably between two and three times as much silver as India. Could a measure be justifiable, could it be wise, which would involve the sacrifice of so immense a property?

We constantly hear sneers, emanating sometimes from those who ought to know better, at the suggestion that the value of the precious metals can be regulated by any human contrivance. Yet what can be more certain than that the suggested final degradation of silver would destroy its value; and in what respect would this completion of its degradation be less a human contrivance—less *artificial*—than its restoration to the functions which, till recently, it always discharged, and which constituted the demand which gave it its value?

But far more mischievous even than the degradation of silver would be the further impetus given to the appreciation of gold. Already, if the facts were understood, it would be perceived that gold has ceased to be fit for a standard of value, by reason of the constant increase of its own intrinsic value. It has, even now, lost all stability, and lost it in the direction most injurious to its use as a standard of value; to adopt a measure so calculated to aggravate the evil as the demonetisation of silver in India, would be, to say the least, not wise.

What would be the full effect in India can only be surmised; but there is great reason to fear that all contracts would be undermined; that, for example, the land revenue settlements would collapse; and a general insolvency, such as we are witnessing already among some of the most important interests in Europe, would, but too probably, supervene. During these 20 years, India, with her silver standard, has, economically, prospered, and borne with unexpected ease the heavy burden imposed upon her in respect to her gold debts, by the rise in the value of gold. It would be a calamity for her, indeed, to have this burden further aggravated by the action of her own Government, and all her other debts enhanced also, to say nothing more of the immeasurable injury entailed upon the working members of her community.

Mr. Arthur Balfour is, probably, quite right in attributing to the progressive appreciation of gold, or, to describe the same phenomenon in a form more popularly intelligible, the progressive fall of prices, the perpetually recurring and ever lengthening depressions of trade. Nor does there seem to be any hope of prosperity while the process continues unchecked; still less if a fresh and formidable impulse be given to it by the substitution of gold for silver as the standard of India; a country whose monetary policy is likely, owing to the hoarding habits of her vast population, to exercise an influence in such matters out of all proportion to her political rank. Yet our leading statesmen, financiers, and publicists are, for the most part, blinded, and cannot read the signs of the times, or understand what is going on under their very eyes; and those who call attention to the facts, like prophets crying in the wilderness, are met with scorn and contumely as quacks, faddists, protectionists, in a word "bimetallists"! God forbid that those responsible for the interests of India should be smitten with the same blindness, and be induced, by any clamour or any pressure, to entangle India, needlessly, in the prevailing disorder, and to deal, at the same, a fresh crushing blow to the many classes in Europe who are already staggering under a burden too heavy to be endured.

The fluctuations of the exchange between Great Britain and India must not, then, be cured by Great Britain adopting the silver standard, or by India adopting the gold standard. There remains the third alternative, namely, that both countries should adopt a bimetallic or composite standard.

Now Great Britain was the first country to demonetise silver and adopt, as she supposed, a sole gold standard. If by a "sole gold standard" is meant the value of gold unaffected by the competition of silver, her purpose has never, even yet, been accomplished, and will not be accomplished while silver occupies any part of the field. When, if ever, monometallism banishes silver altogether from employment as standard money, and gold reigns alone, then, and then only, will a sole gold standard be realised in unadulterated purity and destructiveness. Meanwhile, no country can "live to itself" in this matter; the advantages of the composite standard have been, to a large extent, sacrificed by the wholesale demonetisation of silver in 1873, and the stability of the composite standard has been altered, terribly for the worse, by the change in the proportions in which the two metals are combined; but, little as it is understood, they are, even now, still combined, though in uncertain and unsuitable proportions, and exercise an irresistible influence upon each other. The real question now at issue is, whether this combination shall continue in its present proportions, or be restored to its former long established proportions, or be finally and completely severed.

Till 1873, Great Britain, although she used only gold, and India, although she used only silver, for standard money, enjoyed alike the full advantages of the then prevailing composite standard. Unhappily, neither country contributed anything to, or took its proper share of responsibility for, the maintenance of this standard; but the values of their gold and silver were, of necessity, those of gold and silver throughout the world, and their stability was maintained by the composite standards of the Latin Union and America. Great Britain does not yet perceive that the demonetisation of silver in 1873 has deprived her of the inestimable services of a stable standard of value; still less does she perceive that the whole catastrophe is directly due to her own action, in having taken, long ago, the lead in the disuse of silver standard money, an innovation on which she continues to congratulate herself. In truth, it was not only a selfish defection from the international compact for the maintenance of the common standard of value, a compact none the less binding because it was neither formulated nor even understood; but, as all selfish actions are, it was singularly improvident, because, as our present experience shows, it was sure to entail other defections, and to destroy, at last, the common equilibrium in the preservation of which no other country was nearly as much interested. The curse is come home to roost.

Other nations are awaking now to the consciousness of what all have lost, and are believed to desire its restoration; but Great Britain, strangely, refuses her co-operation. It is true that the rest of the world might act, and act effectively, without her, and it is greatly to be hoped that they may do so; but, in international relations, sentiment counts for much, and it is hardly to be expected that the other nations will consent thus to pull Great Britain's chestnuts out of the fire, even though it be against her will, and they recover their own chestnuts at the same time. It is, in truth, ungenerous and unfair, if it is not simply perverse, of Great Britain to stand aloof and hope to benefit by the more intelligent action of other nations, holding on, herself, to the exclusive use of gold, which exclusive use others are prepared to surrender for the sake of the general weal.

And now, in retribution for her want of foresight, Great Britain is face to face with this grave difficulty peculiar to herself and India, and scarcely shared at all by other nations, a difficulty the only possible remedy for which is the restoration of the general compensatory or composite standard, the deposition of which Great Britain herself long ago originated.

The adoption of this standard by the two countries would revive the stability of the exchanges, as effectually as their common use of either the gold or silver standard. Its operation would be to lower the standard of Great Britain and raise the standard of India, till the two met at a common level; or, to state the same thing in popular form, prices in India would fall and prices in Great Britain would rise to a common plane.

Doubtless, the adoption of measures for this purpose might justly be challenged, and indeed, ought to be challenged. It is fully admitted that the whole *onus probandi* lies upon a Government which intentionally changes the standard of value. No such change can be justified, except upon the plea of something like imperative necessity. Does the present emergency constitute such a plea? As regards Great Britain, it is believed that there is an urgent need for interference to check the progressive appreciation of gold, in other words, the progressive fall of prices, which has already produced disastrous results, and must, if it continues, lead to such widespread ruin as will compel attention to the evil. It is only because the cause of the phenomena has not been recognized, that it has not been long since confronted. Let it not be said that the suggestion here implied is for "protection"; it has nothing in common with such folly. The suggestion is that an effort be made to restore to our standard of value all attainable stability; for serious instability of the standard of value is ruinous to a community, especially when it oscillates upwards.

As regards India, it must be plainly admitted that, in the abstract, no such immediate and general need of interference exists. But the powerful classes who are suffering from the fluctuations of the exchange are clamouring for relief, which can be effectually afforded them in no other way, and the interests of the country, generally, are so bound up with the welfare of these classes as to justify substantial sacrifices on their behalf. Moreover, although silver may not, as yet, have actually lost value, there is ground for grave apprehension that such loss is imminent, if it be not begun; so much so, that it might even be prudent to forestall such a disturbance. Lastly, if, as is believed to be ultimately inevitable, the civilised world should be forced to restore the more stable standard deposed in 1873, India ought no more to block the way in the separate interests of her sole silver standard, real though they may be, than ought Great Britain in the supposititious interests of her sole gold standard. In truth, it would be impossible for either country thus to isolate itself; the ancient standard, if resuscitated, would dominate, as of yore, the gold of Great Britain and the silver of India. It would be a happy result of our present difficulties, if Great Britain should, at length, discover her true interests, and take, now, a beneficent lead in restoring the dethroned standard, as she took, formerly, a maleficent lead in its deposition.

For the immediate purpose of restoring steadiness to the British-Indian exchanges, the proportion in which the two metals should be admitted to power is a matter of comparative indifference; but, for the attainment of the greatest attainable stability in the standard, it would be of the utmost importance to ascertain the proper proportions carefully. This paper is already too prolonged for any detailed discussion of this point to be admissible; but it is believed that no more suitable proportion can be discovered than the proportion of 1 gold to 15½ silver, formerly used by the Latin Convention.

The conclusions suggested by this review are as follow:—

I. The true, practical, and complete remedy for the fluctuations of the exchange between Great Britain and India is the restoration to power of the composite standard dethroned in 1873.

II. Any other remedy, while it might hide away this particular evil, would, like all empirical devices, generate evils far worse than that which it pretended to heal. The fluctuations of the exchange are not, indeed, so much an evil *per se*, as a symptom of evils far more serious, widespread, and deep-seated.

III. In particular, the adoption of the gold standard in India would entail disastrous consequences to India and throughout the world. If such a measure were masked by the retention of an inconvertible silver currency, the evil consequences, inevitably grave, would be mitigated only to the extent to which the measure failed of its purpose, namely, the restoration of the stability of the exchange.

IV. The degradation of the standard money of India to the status of an inconvertible token currency of vast dimensions, is an expedient to be condemned and abjured as wholly unjustifiable and inadmissible.

V. The true policy of India, until the old-established standard shall be re-established, is to endure, as best she may, the ills with which she is familiar, rather than to fly to those she wots not of. The counsel for the moment is an attitude of "masterly inactivity," accompanied by an expression of readiness to adopt the ancient composite standard whenever Great Britain makes up her mind to take this course. The rest of the world would presently fall into line.

VI. The grievances of the British officers of the Government may and should be met, in the meantime, by the concession of favourable rates of exchange for *bonâ fide* family remittances, the amount of such remittances to be limited to a moderate sum both absolutely and proportionately to salary.

VII. The difficulties of other foreign sojourners, and especially of those interested in India's foreign trade, are not, failing the re-establishment of the old general composite standard, susceptible of removal by any State action, whether legislative or executive. This is a disappointing conclusion, and will be resented by these important interests; but, if it is a true conclusion, it must be faced; alternative empiricisms could only produce consequences still more deplorable. What these interests have to do is to continue to use every influence to bring about the acceptance by Great Britain of the only possible solution of their difficulties.

Such a solution may seem far off; if so, this is owing to the complexity of the problem, and the difficulty of inducing influential persons to grapple with the facts underlying it. The fluctuations of the exchange between Great Britain and India have, for years past, thus compelled a few individuals, in the discharge of their official responsibilities, to investigate the economic malady of which these troubles are a superficial symptom. This memorandum contains the diagnosis of one such investigator, who has pondered the facts for more than 20 years. It is believed that, when once the commercial nations, and in particular Great Britain, shall be aroused from the lethargy which has left this pressing problem too long practically unassailed, and investigate it, no longer with invincible prejudices and foregone conclusions, but with open minds, bent on finding a way of escape from the evils pressing upon them, the adoption of the only possible palliative (not, alas, itself likely to be a complete or permanent cure) will swiftly follow.

In the meantime, India must wait, not indeed with a light heart, but with the assurance that she is on sound ground. It is impossible to forecast how fast or how far the appreciation of gold may go, before Great Britain discovers the mischief and takes measures to arrest it,—and therefore, how low the gold price of the rupee may fall; but it is probable that, if once confidence is felt that silver will not be demonetized in India, its intrinsic value will be maintained; the demand from Asia and the other countries which use silver may be expected to secure this. If the enhancement of gold proceeds to intolerable lengths before Great Britain unfolds her arms, not a few debtor countries will follow Argentina and Portugal into insolvency, and the power of even India to meet her gold debts may be brought into question.

If little reference has been made in this paper to the financial difficulties of the Government of India, arising from the progressive fall in the gold value of the rupee, it is not that their extreme urgency is not recognised, or their danger under-estimated; but they can only be aggravated by the application of an inappropriate remedy. If it is the fact that these difficulties are due only to the appreciation of gold, then, clearly, they cannot be lightened or removed by a measure, calculated to give a fresh and most powerful impulse to this

appreciation; they can only, alas! be met by taxation. But there is no conceivable form of taxation so mischievous, so indiscriminating, and so burdensome, as an addition to the value of the standard of value; an immediate effect of which would be to increase much of the public expenditure, and to imperil much of the public revenue.

R. B. CHAPMAN.

Torquay, January 1893.

MONETARY STANDARD OF INDIA.

SUPPLEMENTAL Note by Mr. Chapman, to the first paragraph (ending "truly an alarming possibility") on page 286.

It is feared that the danger is stated much too moderately in the text.

Scientifically the reasoning is as follows:—

(1.) A full value or standard currency can never be inflated or redundant; any excess in such a currency over the amount required for active purposes simply becomes passive, or dormant,—is, in short, hoarded.

(2.) In like manner a token currency convertible at will into standard money can never become inflated or redundant.

(3.) An inconvertible token currency is inflated whenever its volume exceeds the amount that would remains in circulation if it were convertible at will into standard money.

To close the Indian mints to silver must—

(1.) Cause a fall in the value of silver, to what extent who can say?

(2.) Give a fresh and formidable impulse to the already disastrous rise in the value of gold, to what extent who can say?

(3.) Convert the present full value coinage of India into an inconvertible token currency of vast dimensions and low intrinsic value.

It is certain that the existing rupee coinage is four or five times, it is quite possible that it may be ten times, the amount that would remain in circulation if it were a convertible token currency.

If therefore it should be changed from a standard or full value coinage into an inconvertible token coinage, its volume would be indefinitely redundant or inflated.

It is vain to imagine that the value of a token coinage, in such a condition, can be made to exceed the value of its substance, by any device which does not provide for its free convertibility into money of the intrinsic value with which it is intended to endue the tokens. Unless there is some flaw or fallacy in this reasoning, it is certain that the closure of the Indian mints, instead of raising the gold price of the rupee, would produce a financial catastrophe of the first magnitude.

R. B. C.

EXTRACT of a private letter from Mr. FREDERICK CLIFFORD to Mr. COURTNEY, dated 21st November 1892.

There is another point within my own experience. As a planter I employ on three or four small estates in India close upon a thousand native labourers during the year, in cultivating land and picking crops. The average margin of profit (and this, I believe, is the general experience) depends very largely, and often entirely, upon the state of the exchanges. Cheap silver has not to any appreciable extent increased rates of wages in the planting districts; the rupee's purchasing power in paying for labour and in buying food remains practically the same. Thus the planter, paying silver and receiving gold for his crops in Europe, can afford to open land and hire workpeople (men and women) who would otherwise be earning nothing.

Why should the Government discourage this outlay of capital by Englishmen in India, and prevent the employment of natives, in famine crises or at any time, by trying to bolster up artificially the price of a commodity which is depreciating through the natural process of over-production?

One is sorry for the Indian civilians and officers who suffer, but there are much larger interests at stake; and their wrongs, if any, should not be righted at the expense, it may be, of the mass of the Indian people.

You are probably familiar with these views, but I shall like to know that they are in your mind, to be weighed and tested as I am sure they then will be, if you think them worth consideration.

SPEECH by Mr. COX, Accountant-General at Bombay, at the Meeting of the Bombay Branch of the Indian Currency Association, 10th August 1892, to which Mr. THORBURN referred in his Evidence, Questions 322, &c.

Mr. A. F. Cox, Accountant-General, Bombay, who was received with loud applause, moved: "That the "fluctuations and fall in the gold value of the rupee "have been prejudicial to the interest of India, and "that, as there seems no immediate prospect of an "international agreement in favour of a double stan-"dard, it is desirable that the Government of India "should be granted liberty to close the mints against "the free coinage of silver, and declare a gold stan-"dard or adopt some other method of giving a stable "value to the rupee." He said: I suppose that most of those who have come to this meeting this afternoon have done so because they have been pinched either by the fall or the fluctuations in the value of the rupee. But I think that there is no one so foolish as to imagine that a very serious change in the currency laws of this country will be introduced for our benefit if we are in a minority, and this is the first point upon which the resolution touches. It asserts that we are not in a minority, but that what has happened to exchange during the last twenty years has been prejudicial to the interests of India in general. Now this is a proposition which is, I believe, very generally accepted not only in India, but also in Europe. And yet there are some who deny it, and of those who deny it probably there is a larger number in Bombay than in any other city in India. We learn from Calcutta that two-thirds of the European firms there have joined the Indian Currency Association. Unfortunately we cannot say the same of Bombay. It is not long since I heard one of our leading European merchants state gravely, and I suppose seriously, that a falling exchange is advantageous to India. That struck me as a rather startling statement, for, like our Chairman, I have always been taught to believe that if there is one quality which is necessary for a good standard of value and medium of exchange, it is stability. However, those who take a different view appear to argue much in this way. They contend that there has been a very remarkable increase in the trade of India since the rupee began to fall, and they point to the depressions in trade which have occurred when there has been any considerable rise in exchange, and to the activity of trade which has followed a fall. I do not think that it can be denied that these results have followed these causes, but what I do deny is that the results are permanent. It is, I think, very much as though some one should place an embankment across the bed of a stream. The immediate effect is that the flow of water is arrested, but if the embankment is strong enough to resist the pressure of the water the level of the stream must eventually rise to the level of the embankment, and the water will then flow over it with the same volume as it flowed before. This seems to me very fairly to illustrate what happens to trade when exchange rises and remains fixed; there is a temporary depression, but trade soon adjusts itself to the new circumstances, and then goes on as though nothing had happened. Or it may be that this embankment of ours will be unable to resist the pressure of the water, and will be swept away. The immediate result of that is that the stream will flow for a time with greater speed, with increased volume; and this represents very much what happens when exchange having risen gives way. Exports are for a time stimulated, but the industry of India is no more increased than the capacity of that stream to carry water to the sea has been enlarged by the destruction of the embankment. Another argument which is used by these admirers of the depreciated rupee is this. They assert that, although the gold value of the rupee has fallen, the gold value of India's products has either not fallen, or not fallen

so much, so that the Indian producer now receives a larger number of rupees for the same amount of commodities, while his expenses have remained the same. He pays the same number of rupees for his land assessment, the same number for his cattle, and other instruments of agriculture, and the same wages to his daily labourers, so that he finds himself left with a larger net profit upon the transaction. And this, it is argued, stimulates him to increased industry. He takes up more land for cultivation, and sends more produce by railway to our ports, so that Government derives a very considerable advantage from his increased industry. I shall attempt to prove to you that it is altogether untrue that a larger quantity of silver money is now received for the same commodities than before the rupee began to fall. But, even if it were not so, our opponents' argument would surely amount to this, that, if Europe had not been so kind as to demonetize silver, it would have been a wise policy on the part of the Government of this country gradually to debase our coinage by adding from year to year more and more base metal to the silver which it contains, until at last it would have been able to return to the person who tendered 10 rupees' weight of pure silver at our mints not only ten standard rupees but fifteen debased rupees, which he would be able to pay over to the producer, and, taking advantage of his simplicity, spur him to increased industry. Now, I cannot bring myself to believe that it can be possible in any circumstances whatever that a Government can debase its own coinage with advantage; and I do not think there is any one here simple enough to believe it. This picture of the Indian producer reminds me of an invention which is described, I think, by Mark Twain. The ingenious inventor to whom he refers proposed to work a sewing machine in a very easy and economical way with the assistance of a cat and a mouse. The machine was to be actuated by the revolutions of a perpendicular spindle. This spindle was to have two arms upon opposite sides, one rather low down and the other higher up. To the lower arm he proposed to harness a cat and from the other arm to suspend a mouse in such a way that it should always be just out of the reach of the cat; and his idea was that the cat upon catching sight of the mouse would immediately dash forward and continue tearing round and round in vain efforts to secure the little animal. This, I think, is very much the picture drawn of India by those who argue upon the assumption that she receives a larger number of rupees for her products, and is thereby rendered more industrious. India is the cat which is expected constantly to pursue the mouse—wealth—though she never actually secures it. But these, gentlemen, are theories; let us submit them to the test of statistics. I fancy that most of you have read the very interesting speech delivered by Mr. Mackay, the President of the Indian Currency Association. I do not mean to travel over the same ground over which Mr. Mackay travelled; but I should like to recall to your recollection one point which he made in that speech, and which will be useful to my argument. Mr. Mackay had collected together the figures which represented the aggregate trade of India during the past 25 years, and he divided that period into five groups of five years each. He showed that the aggregate trade of India during the five years which immediately followed 1871, showed, not an increase of trade, but a small decrease of ½ per cent. as compared with the five years which immediately preceded 1871. In the third period of five years a very satisfactory advance at the rate of 25 per cent. was made; and there was also an improvement visible in the fourth and fifth periods. But the ratio of increase gradually fell off; from 25 per cent. it became 22 per cent., and from 22 per cent. it fell to 19 per cent. If the increase of India's trade proceeds in this decreasing ratio, it will only take about 30 years for our commerce to cease to make any advance at all, and then slowly to decline. Being anxious not to touch upon the points which Mr. Mackay has dealt with, I have had recourse to a very useful volume of statistics published last year by Mr. Giffen of the Board of Trade. It is called the Statistical Abstract for the Colonial and other Possessions of Great Britain, and it furnishes figures relating to population, exports, imports, rice, shipping, railways, and the like. I first examined the figures relating to exports, and I find that the exports from India in 1871 amounted to fifty-seven crores and a half. By 1889, which is the latest year for which Mr. Giffen gives figures for India's exports, they had increased to one hundred and five crores, showing an advance of about 80 per cent. I compared these figures with those relating to the Straits Settlements, Ceylon, Mauritius, the Australian Colonies, and the Cape of Good Hope. I found that the increase in exports for the Straits Settlements had increased during these 20 years by 190 per cent. as against India's 80 per cent. Ceylon had only advanced by 30 per cent., while the unfortunate Island of Mauritius had declined by 10 per cent. These countries enjoy together with India the supposed advantage of a depreciating currency. Let us now compare them with colonies which are without that advantage. I have here all the figures relating to each individual Australian colony, but I will not trouble you with them. I will merely give you the figures relating to the exports from the whole of Australasia. These were valued in 1871 at 34½ million sterling, and had risen in 1890 to 64⅔ million sterling, showing an increase at the rate of 90 per cent. The exports from the Cape of Good Hope had increased during the same period from 3½ millions to 10¼ millions, and that is at the rate of 180 per cent. I next examined the figures relating to imports, and here I would remark that the same argument, based upon an increased silver price of India's products, which leads to the conclusion that her exports are encouraged, leads also to the conclusion that her imports are checked. But Mr. Giffen's statistics show that such has not been the case. India's imports have risen from nearly 40 crores in 1871 to 86½ crores in 1889, an increase at the rate of 120 per cent., while we have seen that her exports increased only at the rate of 80 per cent. during the same period. The imports of the Straits Settlements have advanced by 200 per cent. Those at Ceylon have been stationary, while those of the unfortunate Mauritius have decreased by 30 per cent. The imports into Australasia have risen by 120 per cent., that is, at the same rate as India's. The Cape of Good Hope, however, has doubled the value of her imports from the foreign countries. I now give you the figures representing the gross revenues of these dependencies of Great Britain. The gross revenues of India have increased from 51 crores in 1871 to 85 crores in 1890, or at the rate of 60 per cent. The gross revenues of the Straits Settlements have advanced by no less than 1,000 per cent. Those at Ceylon and Mauritius had advanced by 330 and 325 respectively. For Australasia the increase has been from 10½ millions to 29¼ millions, which is at the rate of 180 per cent., while the revenues of the Cape of Good Hope have risen by 470 per cent. in these 20 years. And, lastly, I would ask you to observe the progress which has been made in the construction of railways. In 1871 there were 5,077 miles of railway opened in India, while the mileage in 1890 was only four miles short of 17,000, the increase being at the rate of 230 per cent. In Ceylon the increase was 160 per cent. and in Mauritius 50 per cent., while in Australasia the advance had been at the rate of 650 per cent. and in the Cape of Good Hope at 2,800 per cent. The inference which I draw from these figures is that there has been no very remarkable improvement in India's trade or in her gross revenues, while her railway system has not been enlarged as rapidly as has been the case in countries with a gold standard. There has no doubt been a satisfactory improvement under all these heads, but I think we can discover causes to account for it without giving credit to a falling exchange. In the first place I would point to the increase in India's population. In 1871 it was found to be 210 millions. In 1891 it had risen to 280 millions, which means that there are now in this country four persons who are able and willing to work in the production of commodities for export to foreign lands when there were only three persons able to do this in 1871, and where in 1871 there were but three persons requiring to be supplied with foreign products imported into India, there are now four needing to be so supplied. This enormous increase of population alone accounts for one-third of the increase in India's trade during the last 20 years. Another cause for the improvement in our commerce is to be found in the opening of the Suez Canal, which took place just at the time when silver began to fall in value. I need hardly say much to show you that this direct and quick route to the markets of Europe must have very considerably stimulated our trade. But I should like to draw your attention to the great reduction in freights since the Suez Canal was opened. A mercantile friend in this city, who is among our opponents, has nevertheless been kind enough to furnish me with a statement, showing the freights payable from the year 1871 to the year 1891. In January 1871 freights were at 58*s.* 9*d.* In April of that year they were at 62*s.* 6*d.* In July the quotation is nominal. In

1872 the rates were 63*s.* 9*d.*, 48*s.* 9*d.*, and 46*s.* 3*d.* In subsequent years freights have gradually fallen, until in 1890 they were as low as 20*s.* in January, 21*s.* in April, and 15*s.* 6*d.* in July, and last year the figures for these three months are 16*s.* 9*d.*, 26*s.* 6*d.*, and 20*s.* I understand that in this present year they have been as low, if not lower. But the principal cause for India's advance in commerce must, I think, be looked for in the extension of her railway system. I have already mentioned that the mileage has increased from 5,000 to 17,000 within the last 20 years, but, as the mind grasps so much more easily facts which are expressed in the shape of a picture than those given in the shape of numbers, I have prepared a rough map showing the lines of railways now opened in this country. The red lines in this map represent the railways which were opened in 1871. The black lines show what has been added since that year. It appears from this that there was through communication between Bombay and Madras, but I remember very well that, having landed in Bombay towards the close of 1871, and having disposed of my sovereigns at the rate of Rs. 10·4 as. each, I made my way to Madras, and had to travel by country cart and boat across a gap which separated the two systems of railways. Through communication with Calcutta was in that year quite a novelty, in fact our railway system was altogether in its infancy. This map shows what an immense advance has been made since then. India has begun to be covered with a network of railways, which act as feeders to the main trunk lines which were at first constructed, and these trunk lines have been so generously fed that they have had to be enlarged into double lines, where at first they were single. And, besides the increase in the mileage, I was informed a few days ago by the agent of one of our great Bombay railway companies that the rates now charged for carriage by railway are very much less than they were in 1871. In these three causes, then, it appears to me that we find enough or more than enough to account for India's 80 per cent. advance in exports, 120 per cent. in imports, and 60 per cent. in gross revenues. (Loud applause.) I now proceed with the question of whether rupee prices for India's products have risen or not, and fortunately I am able to illustrate my remarks by diagrams instead of groups of figures. The first diagram to which I will ask your attention is one which I have borrowed from Sir David Barbour's most valuable little book upon the Theory of Bimetallism. He carried it down to the year 1885. I have extended it up to the present year. But, before explaining the method of its construction, I think it would be well if I were to explain as shortly as possible, for the benefit of those who have not studied this matter very closely, the history of the circumstances which led to the fall in the gold value in silver which is illustrated in the diagram. For some hundreds of years both gold and silver have been used in Europe for the purposes of currency. They were also used in India until 1835. Their value relatively to one another for some two hundred years varied but slightly in Europe. The Royal Commissioners, appointed in 1887 to inquire into this matter, reported to Her Majesty that from the middle of the seventeenth century up to the year 1871 gold and silver had not varied more than three per cent. on either side of a ratio of 15½ of silver to 1 of gold. The first country to discard silver was England. In 1816 she became gold mono-metallic. Fortunately no harm resulted even to herself, because no other nation followed her example. But in 1871 Germany became possessed of an enormous mass of money, which she had forced France to pay to her as an indemnity, to cover the cost of the Franco-German War. It then occurred to Germany that this was a favourable opportunity of following England's example and becoming gold mono-metallic, because she imagined that England had become rich in consequence of being gold mono-metallic, and it did not occur to her that England had become gold mono-metallic because she was rich, which seems more likely to be the truth. Germany's intention to demonetise silver soon became known, and all the countries of Europe were seized with the alarm that their silver money would become bad. When therefore in 1873 Germany gave effect to her intentions, the three Scandinavian nations, Sweden, Norway, and Denmark, did what she did—they discarded silver. In 1874 Holland did the same, and a final blow was struck at silver when the Latin Union nations brought their agreement to an end. The Latin Union consisted of five countries, France, Belgium, Switzerland, Italy, and Greece, who since the year 1865 had joined with France in carrying out a currency system which had been in force in France since the beginning of the century. According to this system the mints of France were freely opened to the coinage of both gold and silver, and it was enacted by law that both metals were full legal tender at a ratio of 15½ to 1, that is to say, that anyone owing a debt of one ounce of gold could discharge it by paying 15½ ounces of silver instead. In 1865 the other four nations which I have named agreed to adopt the same monetary law as France. In that year a fear was prevalent in the world which is very different from the fear which prevails now. Gold had been produced in such enormous quantities in Australia and California that people began to apprehend that it would become too common to be a good standard of value. In order to maintain its relative value with silver the Latin Union was formed. But when in 1874 the mints of the Union became gorged with the silver which had been discarded by other European countries, the Latin Union feared that they would lose all their gold and become a reservoir for debased silver. They, therefore, mutually consented to terminated their agreement, and from that time the gold value of silver has continued steadily, or rather fitfully, to fall. Now, gentlemen, I will proceed to explain Sir David Barbour's diagram. The upper and dotted line represents the gold value of silver, which begins at about 60*d.* per ounce in the year 1850. It then rises slowly in consequence of the large discoveries of gold to nearly 62*d.* in 1857, and continues at that price until 1866, which is the last year in which our rupee was generally worth 2*s.* In 1866 it fell towards 60*d.* an ounce, and continued at that price until 1871. In 1871 its fall began, and from 60*d.* an ounce its gold value has gone below 38*d.* The lower and continuous line represents the gold value of English commodities generally. They rose rapidly from 1850 to 1857, chiefly in consequence of the gold discoveries, but partly also in consequence of the Crimean War. After that war was over they fell and then rapidly rose to their highest point in 1865, which is again the time of the American Civil War, when many of you will remember how inflated prices were in this country. After the conclusion of the American War prices declined more rapidly than they had risen, and then rose again until 1873. From 1873 you will observe how strangely the silver line and the commodity line follow one another up to the year 1886. After that the gold prices of commodities increased in England while silver has continued to fall. The inference to be derived from this diagram is this, that from 1873 to 1886 India has not upon the whole had to pay a larger number of rupees for what she has imported from England. During the last five or six years, however, it appears she has been paying a higher rupee price. This diagram refers only to the prices of English products, and, in order to illustrate the movement in the rupee prices of the products of India, I have prepared another diagram which is in one respect constructed on a different principle from that of Sir David Barbour. Here the horizontal straight line indicates the steady value in silver: there it indicated a fixed value in gold. This exhibits the appreciation of gold; that shows the depreciation of silver. The top line in this diagram indicates the changes in the price of India's general products. The prices of some 30 commodities have been considered, and their average taken, and you will see that if there has been any change in the silver price received for our exports it has been to the disadvantage of India. She has upon the whole received a smaller number of rupees for the same amount of commodities. The next two lines illustrate the movements in the rupee price of wheat and cotton, products in which this city is more particularly interested. The general result is the same, and it appears that for both wheat and cotton India has received a smaller rupee price than she did in former years. The bottom line shows how the price in gold as measured in silver has increased. These diagrams, I think, will convince you that one of the arguments which is used by our opponents is based upon an untrue assumption. So far, then, it appears that India has neither benefited nor lost, but there are some circumstances which have not yet been considered. She has undoubtedly suffered in consequence of European capital not seeking investment in this country, while her trade has also been hampered by the daily fluctuations in exchange. And when we consider the position of the Indian producer we must remember that he does not deal only on his own account. He is a shareholder in a large company with unlimited liability called the Government of India, and this company has, in years long passed, entered into contracts which render large

payments necessary every year in gold. The loss on this account has been, and is, so great that there seems a danger that the company before long will have to go into liquidation or to make large calls on its shareholders, in which case I leave you to imagine what indignation meetings will be called together and what consternation will prevail. Serious as the loss by exchange has been to Government during the last 20 years, it will be much more serious in the future, because the fall of a single penny now increases the burden of paying our gold debt by much more than the fall of a penny when the rupee was close upon two shillings in value. The fall from 24*d.* to 23*d.* increased the burden by only 4⅓ per cent. A fall from 21*d.* to 20*d.* increased it by 5 per cent. on account of the fall of one penny, and the recent fall from 17*d.* to 16*d.* increased the burden by 6¼ per cent. on account of that penny's fall alone. It is something like a stone falling through space with increased velocity and increased momentum for every moment of its fall. We seem now to be standing upon the edge of an abyss into which there is a danger of our being precipitated, and out of which escape will be impossible. (Loud applause.) Having done my best to convince you that the first part of my resolution is one which you can adopt, I now come to the second part which declares that it is desirable that the Government of India should be given liberty to apply any possible remedy for the evil which exists. The question is what shall that remedy be? The resolution begins by recognizing, what I believe to be true, that bimetallism is the best and safest remedy. But there seems to be no immediate prospect of any international agreement in its favour taking place, and we can hardly afford to wait any longer. There have already been three international conferences regarding bi-metallism which led to nothing practical. There has been a Royal Commission in England, the report of which was more favourable to the scheme than I think most bimetallists expected. A fourth International Conference is about to assemble in America, but the general impression seems to be that it will not lead to any early action, which will benefit us. It seems, therefore, necessary that we should seek, if possible, some haven of refuge, in which we can rest until we are invited to join other nations in accepting a double standard.

The Suggested Gold Currency.

My resolution suggests that such a haven of refuge may be found in a system based upon the closing of our mints against silver, and the declaration of a gold standard, that is to say, of a fixed value for our rupee expressed in the money language of those countries which have a gold currency, and with whom we principally deal. And here we are often asked both by friends and opponents to give a full and detailed account of how such a scheme should be worked. It appears to me, however, to be unreasonable to expect complete details at the present time. The subject requires very full and careful consideration before these details can be decided upon. I will try, however, to give you a general idea of how it seems to me this scheme could be worked. You are aware that the balance of trade has always been, and as far as we can see always will be, in favour of India. India requires less of the products of other countries than other countries require of the products of India, so that when from time to time the balance is struck it is found that something is due to India, and, since India requires no more of foreign commodities than she has received, it has to be paid to her in the precious metals. It is at present paid both in gold and silver, but chiefly in silver. During the year ended 31st March last our imports of gold amounted to 2¼ crores, while our imports of silver came to 9 crores. The gold has been used for hoarding or for manufacture of jewellery, the silver mostly for the purposes of currency. The English merchant, or the banker to whom he transfers his liability, is, therefore, generally under a necessity to become possessed of rupees in India, and he has at present two modes in which he can procure them. He can apply to the Secretary of State and learn at what price he will sell his ready coined rupees in India. And, if he thinks the Secretary of State's price is too high, he can turn to the silver market and purchase silver bullion which he can ship to India, and have converted into rupees at our mints after some little delay. The consequence of this is that the Secretary of State and the silver merchant are constantly bidding against one another. But if the Indian mints are closed to the free coinage of silver this competition will cease. It would, I think, be necessary to exclude silver bullion from India by imposing a prohibitory import duty; otherwise there would be a risk of bullion circulating as a medium of exchange and a bullion price existing together with a rupee price. If this were done, the Secretary of State would have command of the rupee market, and could demand from the merchant or banker any price within reason which he chose to ask. Every one, of course, wishes to know what price he will ask, but that is a detail which cannot now be decided. A little while ago the general impression seemed to be that, though 2*s.* was out of the question, a 1*s.* 6*d.* rupee would probably be productive, on the whole, of good. Since then, however, exchange has fallen still further, and, when this question comes to be settled, it may be decided that the value of the rupee must be fixed at something lower than 1*s.* 6*d.* And, after all, it is very important for us to remember that it is not so much a high rate of exchange that India requires as a fixed rate. The question, then, arises, as to what extent should the Secretary of State sell his rupees. Should he limit himself to securing only so much gold as is needed for paying India's home charges? If so, the banks will be forced to export gold to India, and to have it coined at our Indian mints. But, as such a procedure would make it difficult for the Government of India to accumulate a reserve of gold, I anticipate that the Secretary of State will continue to sell his rupees for gold as long as the demand for rupees lasts, and, if we are really to have a gold currency, that he will remit to India, to be coined into Indian money, all the gold he himself does not require. What then will be done with the gold coinage? I do not think that it will be at once put into circulation. It may be objected to this that such an arrangement would contract our currency and be productive of inconvenience, but there is a very simple method of avoiding such a difficulty. There is a very large amount of paper money circulating in India. On the 31st of March last, currency notes representing upwards of 24 crores were in circulation. In exchange for them Government had received upwards of 24 crores of silver rupees. Of these, eight crores are permitted to be invested in Government promissory notes and thus to be returned to the market. The balance of 16 crores is securely locked up in our currency vaults, and is useless for purposes of trade, its place being taken by the currency notes themselves. As gold was received from the Secretary of State, it could easily be placed in the currency vaults, and an equivalent value of silver issued in order to replenish the money market. It would, I imagine, take some two years to replace our silver currency reserve with a reserve of gold, and during this time the Government of India, if it had not yet decided upon a settled scheme, would be carefully considering what course should be eventually pursued in introducing the gold coin into the market. The doubt would, I think, probably be whether silver should continue to be unlimited legal tender, and I must confess that I am disposed to think that, if India is to have a gold currency, it would be necessary, before issuing gold coin, that she should become gold mono-metallic as England is, and to make silver legal tender only up to some certain limit, a high limit no doubt, perhaps Rs. 500, possibly Rs. 1,000; that would be a detail for careful consideration. Without such a precaution, I cannot help fearing that in accordance with the law of political economy, which is called Gresham's Law, and the truth of which has, I believe, never been disputed, our gold currency would disappear from sight. This law declares that bad coin turns out good from circulation, and it might operate in India in this way. The native of India is known to possess large hoards of silver money, and he might be tempted to convert this into gold by passing it into the market and hoarding in its place all the gold coin he can acquire. The volume of our currency would not by this be restricted, but it would become all or nearly all silver, and the hoards would become golden hoards. Gold could probably be caused to circulate by making silver a legal tender only to a certain amount, but this is a matter which is rather perplexing, and upon which I cannot speak except with great diffidence. At present, my own impression is that perhaps it would be best not to think of introducing a gold coinage into India. I am aware from a memo-

randum by Sir David Barbour, which has lately been published in the papers, that that very high authority does contemplate the introduction of gold coinage, but he seems also to recognise the probability of gold coins commanding a premium and of the necessity arising that Government should buy up the redundant silver coins at a considerable cost to the State. It seems to me that the cost of this would be very great indeed, for all the hoarded rupees would be offering themselves for sale at our buying centres. I am, therefore, rather inclined to think that India may have to content itself with what Java now has, a silver currency and a nominal gold standard, and, if such a scheme were adopted, it would, I think, have this advantage, that the Government of India would make profit out of its silver coinage, which might be very usefully employed in the interests of this country. The suggestions which I throw out on this point are these:—The Secretary of State might in the first place, with a portion of the gold which he receives, purchase just enough silver bullion at, say, 30*d.* an oz., as could be coined into the same number of rupees as he has sold at, say, 45*d.* an oz. The balance of gold he could use in reducing India's gold debt. Or he might invest the whole of his surplus gold in silver bullion, and have it all coined into a larger number of rupees than he has sold, the excess being available for the construction of reproductive public works. You will gather from what I have said that I am as yet by no means settled in my views regarding details, and I very much doubt whether there is anyone in India who has fixed ideas on these points. I fully believe, however, that the Government of this country will be able to devise a scheme which is an enormous improvement upon our present system of unrestricted silver coinage. (Loud applause.) Such, however, is not the expectation of Mr. Simson, a Calcutta merchant, who has recently expressed his views of the situation in a Calcutta paper, called "Capital." Mr. Simson is altogether opposed to the proposals of the Currency Association. He believes that their scheme would prove as fatal as he supposes a similar system has been in the Dutch Colony of Java. Java, according to an authority upon whom Mr. Simson relies, has suffered great loss through the absence of that bounty upon exports which India has enjoyed. He seems not to believe that this stimulus is a temporary one, and that it will end when silver finds its level, as I presume he, like others of his school, believes that it eventually will. And when it does settle down to the level of perhaps an 8*d.* rupee the stimulus will cease to act, while the loss by exchange which will by that time amount to 20 crores a year will unfortunately become permanent. I regret to be obliged to say that I have not as yet been able to learn very much about Java and its trade. But a friend of mine, who is a Manchester merchant, writing to me a few days ago, remarked that Java was one of the best customers that Manchester had, which does not suggest that Java is in such a very bad way after all. The only other information which I have been able to obtain about this Dutch Colony is derived from the evidence of a Mr. Tidman, one of the witnesses who was examined by the Royal Commissioners in 1887. He is a merchant of London, who carries on an extensive trade with Java, and this is the evidence which he gave before the Royal Commissioners. He says that "one of the results of the currency system "which prevails in Java has been that over a very "long period the fluctuations in Java exchange with "England and Holland have not varied appreciably, "by which I mean to say, that they have not varied "by two or three per cent., not sufficient to be a "serious drawback to any commercial operation on an "extended scale for a long period, whereas during the "same period the fluctuations in the Straits Settle-"ments have varied to the extent of 20 to 25 per "cent." And he proceeds to point out what an advantage Java has enjoyed in being a country where European capital may be safely invested. He says that, if the Java system were in force in the Straits Settlements and the Malay Peninsula, we should be able to get one hundred million sterling of money, enough to cover the Malay Peninsula with railways. The Royal Commissioners specially drew Mr. Tidman's attention to the opinions of Mr. Van den Berg, the authority upon whom Mr. Simson of Calcutta so strongly relies upon that subject. Mr. Tidman on this point stated as follows:—"The fact is that during the "last five years Java has been subjected to a series of "most fearful natural calamities. They had cattle "plague which destroyed almost the whole cattle in "parts of the island. They have had cholera. They "have had earthquakes of an unprecedented charac-"ter" (Mr. Simson, gentlemen, tells us nothing of all this), "and they have had further an extra-"ordinary fall in the values of their principal exports, "which are sugar and coffee, owing in the first place "to the competition of beetroot sugar in Europe, and "in the second place to the fact that the silver-using "country of South America has been able to import "coffee more favourably than from Java, and to "this extent you can trace a loss of five million pounds "sterling annually in these two articles. That has "been the result in the last five years of natural "causes, without any question of currency at all." This also is a different picture of the colony to that which has been drawn by Mr. Simson, and, setting Mr. Tidman against Mr. Simson, I decline to admit that the troubles of Java have been due to her currency system. Finally, Mr. Simson objects altogether to accord his approval to any currency scheme which may be devised by European officials who received a fixed salary payable in rupees. Being an official myself, I do not want to say anything harsh of this sentiment. I will only say that it appears to me to be an ungenerous suggestion, and I will ask you to believe that the European officials of India, when dealing with this question, will not be so base as to betray the interests of the country committed to their charge in order to secure their own personal advantage.

SKETCH OF A PLAN FOR RESTORING A GOLD CURRENCY IN BRITISH INDIA, by Clarmont Daniell, B.C.S., Retired.

MONETARY.

In order to the circulation of gold money in British India, it is proposed to coin a piece identical with the 1*l.* sterling of the Realm; to leave the silver money of India exactly on its present footing; to trust to the public in India supplying the metal for both currencies, as they now supply silver for the silver currency. The magnitude of the gold treasure held by India and excluded from use as money is now well known.

As there cannot be two standard moneys in the same currency, it is proposed to adopt gold as the standard, being for obvious reasons more suitable for that purpose than silver. To secure this position to gold, the gold sovereign to pass as legal tender, (1) in the payment of debts exceeding 5,000 rupees in value at the option of the party making the payment, *i.e.*, the debtor, who retains the right under all circumstances to pay a silver debt with silver money; (2) in the payment of any taxes or money due to Government in rupees, without minimum limit, at the option of the party making the payment; (3) in payment of debts of any amount without limit either way, which are contracted to be paid in gold; (4) in payment of revenue or other kind of State income now payable in silver, which may be made by law payable in gold, either by conversion of silver payments into gold payments, or by direct assessment in gold money.

The rate at which silver payments can be legally discharged with gold money to be declared from time to time by a "Notification" of Government; such rate to follow strictly the market rate of exchange for gold money into silver money. This market rate to be ascertained by information collected from the principal commercial centres in India, as well as from all foreign countries, whence information about the gold prices of silver is obtainable. This information to be certified in the most public manner by qualified persons, such as, *e.g.*, the Chambers of Commerce, in order to secure the confidence of the trading classes in the actual correspondence of the official with the commercial rate of exchange.

The results to be obtained by this scheme are as follows. It gives India a gold standard for the valuation of her industrial productions which is the most constant obtainable; and, being identical with the standard in use in those countries with which the most valuable part of her trade is carried on, it establishes a common measure for the valuation of every commodity exchanged in this vast commerce. As the coinage and circulation of silver money in India will remain unrestricted, the advantages of her present standard in the trade with silver-using countries will continue unimpaired.

It promotes the acquisition of commercial capital by the people of India, in securing to investors (in Indian enterprises), residing either in gold-using or in silver-using countries, their returns in money which holds a definite metallic parity with the money of every nation they may belong to. By this means the foreign exchanges will no longer be subject to variations in the metallic values of either kind of money used in the trade, and alterations in the rate of exchange will be reduced to the narrow range occasioned by the demand and supply of foreign bills.

The proposed system offers all the inducements to trade which a silver standard now holds out, and all the additional inducements of a gold standard; and, therefore, the annual additions now made to the silver currency may be expected to increase very largely, especially as the capital supplied by investors in gold-using countries, must, before it can be applied to production in India, take the form of silver money. Thus the silver currency, which must always form the popular money of the country, will greatly increase in volume; and at the same time an additional increment to the circulation will be obtained in the amount of any gold money which the necessities of the wholesale domestic trade, as well as of foreign commerce, may demand.

As the activity of all kinds of industrial production depends in the last resort on an adequate supply of money, this enlargement of the circulation may be expected to give an unexampled and continuous impulse to the material prosperity of the people.

The money-metal for the whole currency of both kinds being supplied by the voluntary action of the people, and from considerations connected with their own interests, its supply will consequently be sufficient, and no more, for the current purposes of business. Although prices may rise, no inflation, that is to say, no artificial enhancement of prices, will ensue. The whole volume of the combined currencies will, from the manner of its supply, tend gradually to appreciate in its purchasing power, and a rise in prices will indicate a rise in real (as contrasted with apparent) values.

As an effect of the two moneys passing into one another at their commercial values, the price of any article under sale, whether stated in terms of gold or of silver, will express one and the same value, and no one will gain or lose by using either money in preference to the other. The choice of the money used will depend on the convenience of the customer, not on the acquisition by the dealer of a larger quantity of the article by the payment of gold rather than of silver, or *vice versâ*. Thus the supply of either kind of money will be commensurate with the needs of each class, and, therefore, with the aggregate needs of all classes of traders. As silver money will, under no circumstances, avail to purchase more than its own market value of gold, or, which is the same thing, of goods valued by the gold standard, there will be no inducement to speculators to supply the cheaper metal to the currency in the hope of obtaining in the exchange more than its value either in goods or in gold. Such an inducement is one of the defects of a system of exchange at a fixed ratio, of which the "bimetallism" of the Latin Union previous to 1873, and the silver legislation of the United States in 1890, afford examples.

Payment of silver debts in silver money being in all cases a legal acquittance, neither the State or any individual will, under this plan, ever be required to pay gold (except by express stipulation); and, therefore, no such contingency as "a run on the gold supply" or a "corner in gold" can arise. Those who choose to transact their business in gold rather than in silver, and make contracts accordingly, must be presumed to have gold money at their command, which an adequate circulation of gold money will, as is the case in every gold-using community, place within their reach. The use of gold money in transactions below the legal tender limit (Rs. 5,000) may be expected to take place on a large scale, by voluntary agreement as to the rate of conversion for silver into gold payments.

Commercial.

Under this arrangement there will always be in circulation a volume of gold money which will serve as a standard of value, and be all the more reliable in that capacity from being brought into daily use in the exchange with silver money, silver bullion, and commodities alike. This will serve as the basis for a good deal of the domestic wholesale trade, and exclusively for the foreign trade with gold-using countries. Against this, bills of exchange will be drawn, and, as this money will always exchange for an equal weight of metal of like quality in the currency of every other gold-using country, that particular kind of loss by exchange which now occurs from the use of a silver standard in India will be avoided.

Goods will be sold to some extent in the domestic trade, and exclusively in the foreign trade in India itself, for gold, and, therefore, exported goods will (as far as gold-using countries are concerned) be bought in the Eastern market and sold in the Western market with the same money. So, in the case of silver-using countries, the rupee being full-value money and its supply being unrestricted in amount, China, Japan, and other silver-using countries, will be on exactly the same and as favourable a footing as they are now in their trade with India.

As a currency constituted on these principles gives to every class of trader every kind of advantage which any system of currency can provide, there need be no apprehension that the people will withhold from use as money any portion of the stock of gold bullion now in India which they can profitably employ in that way. On the whole, gold can be put to no more remunerative employment than its use as money. Up to the beginning of this century, about one-seventeenth part of the money in use in the East India Company's territories was certainly gold, and probably a larger proportion, as much of the money issuing from the mints of the Native Powers was in circulation in British districts. Since that time, all the conditions of trade which are in favour of the use of gold money in India have greatly increased in importance, and the risks and drawbacks incidental to the use of gold money are correspondingly diminished. There is therefore reason to expect that, if gold money is made legal tender in British India, its use will be much more popular and the supply much more abundant than it was at the end of the last and during the early part of this century.

The only experiment of the kind under discussion has failed from two causes; one, that gold was designed to pass at a fixed valuation in silver, which, besides being fixed, was an improper valuation; and the other, that no plan for constituting a revenue in gold, and so maintaining a circulation of gold money, in aid of that originating with the requirements of commerce, has ever been tried. A gold currency, without a gold revenue and a circulation of gold money, would be an unmeaning term. Up to this time the Government has never, as far as I know, done more than invite the public to convert its silver payments to the State into gold payments, without offering to replace the specie on the market, or return it to those parting with it, in any way. The Government of India has never, I believe, proposed to the public to take the lead in establishing a gold currency in the interests of the industrial and commercial classes, nor introduced any measure for keeping gold money in circulation as legal tender, and thereby constituting the money-metal provided by individuals a public possession, in which their ownership would be secured to them to any extent to which they might use the gold currency for their own purposes in the ordinary course of their business. If fifteen millions of gold sovereigns of the Indian mints are collected as revenue and kept in circulation by the encashment of Council drafts, and by payment of other State obligations in India, that amount at least would be always current. In addition, there will come into the market another supply, which will certainly be much larger, and may be indefinitely great, called into existence by the necessities of the foreign trade of India with gold-using countries. A complete scheme of this kind has never been contemplated (at least within my knowledge), much less has any attempt to put it in practice been made.

Under a system of exchange at market rates, the capacity for mutual substitution which gold and silver money possess, will be drawn out to its fullest extent, and those forces which attract money into circulation will have free room to act. Gold and silver flow into and flow out of the currency, exactly in such proportions as may consist with the prospects of profit from the use of either. The supply of each kind will therefore be automatic. It follows that the whole volume of the combined currency will become as large as circumstances allow, or trade requires. Accretions to the currency will grow only gradually, and in amounts and values small in proportion to the whole circulation.

Prices will therefore be exposed to the least possible disturbance, and their tendency will always be towards a rise rather than a fall. For this reason, such a system compares favourably with any other under which the volume of the currency is limited, from the whole supply of the material for money falling below the demands made upon it from many quarters at once; in which case prices fall, or at the best are stationary. A limitation similar in effect, though not in form, was experienced in the bimetallic system, which provided for the volume of money growing, but the increase was obtained at the expense of its purchasing power; prices, that is to say, rose because the value of money fell. It was the cheaper metal which was added to the currency, and therefore additions made to the circulating medium were rather additions of quantity than of value, and the real was much less than the apparent increment to the circulating medium. An increase in price is only an increase in profit when taken in the money which is rising in value; and, when two kinds of money are circulating with their rate of interchange fixed by their commercial equivalence, gains made either in terms of one or of the other are equally profits. Thus the primary qualities of good money—stability as a measure of, and certainty as an indicator of, value, are obtained more effectively under this plan than under any other. Although such a system is opposed to the monetary usages of Western nations, it must not be forgotten that we are dealing with India, whose people, in common with all Oriental nations, know no other for keeping two kinds of money in use together; and that the country is so habituated to it by the force of immemorial custom, that, if it is to obtain that supply of money which is absolutely necessary to the natural growth and expansion of every kind of industry, there is no other form of dual currency which has the least probability of being generally understood and accepted. And this is an antecedent condition of success in any scheme of currency reform in India, for we can do nothing effectual in this direction unless we carry the people with us.

The foreign exchanges with gold-using countries being (as already stated) in terms of gold, variations in the gold price of silver will not affect them at all. As for the internal trade and production of the country, which will continue to be carried on with silver money as it is now, and the foreign exchanges with silver-using countries, they will remain on their present footing. In the case of produce raised for the export market and sold for gold, the amount of silver money which may have been expended on it will be taken into account in the gold price. Silver money will in this case take its place as one of the materials of manufacture. If a weaver has to spend 2*l*. worth of silver money in buying yarn to make into cloth, or an indigo planter to spend 10,000*l*. worth of silver money in buying plant and paying coolies for beating it in his vats and so forth, each will reckon that value, irrespective of the tale of rupees, as 2*l*. or 10,000*l*., which he has to recover in the price of the manufactured article. The variations in the tale of rupees so applied will affect each manufacturer in exactly the same manner as, and to no greater extent than, variations in the price of yarn, or of hundreds of bundles of indigo plant, or in the wages of cooly labour, affect each of them at present.

Of all the causes which act in restraint of industry and trade, and therefore hinder the material progress of the people, the insufficiency of current money in India is perhaps the greatest. I computed the circulation of metallic money to amount to nearly 2,900 millions of rupees in the year 1890, which would allow 14½ rupees per head to the population of British India, and this proportion will not be found, I believe, to have altered materially since then. It is, as is evident from the economic condition of the country, very insufficient. From the circumstances of the people, and the rudimentary methods of production which prevail in India, additions can only be made, under the most favourable view of the case, but slowly, to the coin in circulation, which is replenished in correspondence with such increase as may take place in the commodities brought into the markets for sale. Many years must therefore pass, before the country is provided with anything like the amount of current money which in Europe or America is found indispensable to the maintenance of prices at the level we have long been accustomed to. I contend that the use of both kinds of money on the plan proposed is that which will hasten this desirable consummation more quickly than under any other competing scheme, because it secures the pricing of goods at their exact commercial equivalent in gold and silver indifferently, and thereby secures to traders the best returns obtainable and with the least risk of miscalculation, than which there exists no greater incentive to industry or more certain means of attracting capital to investment.

Such a system places no limitation on the supply of money, but, on the contrary, relieves the dearth of coin, and mitigates the evil effect of low prices; it tends to lower the rate of interest, and reduces the indebtedness, which, among the agricultural classes, is widely prevalent, and this makes the land revenue more secure by facilitating its collection. It promotes a general diffusion of wealth by making all the money-metal scattered throughout the land, in the possession of hundreds of millions of people, available as money; while the concentration of the money supply in the hands of a comparatively limited number, which is an inevitable consequence of its being inadequate in amount, puts the working class at an enormous disadvantage to the capitalist and the middleman. It is the prevalence of such a partial distribution of money in India which depresses prices and reduces the value of labour and all that labour produces, and sustains the competition of Indian with English produce both in our own and in foreign markets. As prices depend on the relation existing between the supply of money and the mass of the commodities in exchange, and as no money under this system can get into circulation, except at its commercial equivalence in goods, a convenient abundance of money, rising prices, and higher values, will go together. A reform therefore in the currency system of the country, which tends to raise values by promoting a sure and gradual increase in the capital fund available for industrial purposes, cannot but prove to be an unqualified benefit to the whole community.

Financial.

The proposed system provides for a gradual alteration of the standard with the least change of usage or dislocation of business, and secures, as a standard, a vast currency of both metals, which, being interchangeable at market values, is practically homogeneous, and therefore possesses, as nearly as may be, the same kind of efficiency as a currency composed of one metal only. An increase in the currency is obtained by the voluntary contributions of those who find their profit in supplying bullion for coinage, and a gold currency is thus established without the taxpayer being put to any cost in the matter at all. Such a currency leaves contracts wholly unaffected by any causes connected with the relative values of the precious metals. Its constitution protects it from variations in value by rapid appreciation or depreciation, because its greatest increase or decrease in the course of any considerable time can bear but an insignificant proportion either to its whole volume or to the mass of commodities in commerce. It possesses a metallic parity of value with the currencies of all gold-using countries on the one hand and of all silver-using countries on the other; and, because in international trade the values of imports and exports are expressed in the metallic prices of things, and they exchange on that basis, it operates to keep fluctuations in the foreign exchanges within the narrowest limits, and greatly reduces their frequency.

It will tend to reduce the imports of gold into India, by giving steadiness to the point of equilibrium for the values of the precious metals, and so make it of little or no profit to import gold in preference to silver, apart from the coinage demand, which will itself be met from gold now stored in the country. These importations during the last 20 years have averaged over 2,790,000*l*. a year in value.

India, being included in the comity of gold-using nations, will return to the West any supplies of gold she may draw therefrom in the ordinary course of trade: and the gold store of India, to any extent to which it may be used as money, will become incorporated in the gold supply of the world, and constitute an increase to the gold resources of Western nations, upon which the Indian demand now forms a continuous and irreversible drain.

The encouragement which this plan gives to the circulation of either kind of money, indifferently, avoids one of the principal defects of bimetallism. By securing a correspondence between the currency value and the commercial value of both, neither becomes undervalued in the exchange, and no necessity arises for

taking the cheaper metal into use and discarding the dearer. It was this peculiarity of the system which involved the more or less limited employment of one kind of money without the value of the other being raised in the exchange with goods, and this amounted to a virtual restriction of the volume of metallic capital applied to trade.

The extended use it will give to the 1*l.* sterling of the realm in a commerce extending through half the globe, from Great Britain to her Antipodes, will promote its use as an international unit of value. At the same time, the Indian currency of both metals will serve as an equilibrating machine for certifying the exact weights of equivalent values of gold and silver, by a multitude of transactions taking place every day at a close adherence to bullion values. In this way it will serve as a powerful moderating force over the course of the foreign exchanges throughout the whole of the Empire, and doubtless exercise a similar influence in other parts of the world to which our commerce may be carried.

It gives the State a means of raising a gold revenue tentatively and moderate in its amount, as a commencement. Taxes levied in gold are a lighter burden than when raised in silver, because, when gold is rising in value, the taxpayer parts with less and less of the produce of his industry in order to pay the same sum of money. For this reason it may be possible in the future to extend it to the limits of the administrative requirement for gold, with an actual diminution of the present impost, value for value. When the finances of India cease to rest on silver and are laid on a foundation of gold, her credit abroad will be even more secure than it is now, and the serious risks which the country at present runs from the depreciation abroad of her silver money, and which may any day land it in disaster, will be finally averted.

In conclusion, I may be allowed to remark that the system which I have thus described (summarily and with many omissions) can, if adopted in India, be followed by no results or consequences in themselves undesirable. It creates a gold circulation (which those who dislike it can leave alone) concurrent with that of silver money, without impairing the efficiency of the latter as legal tender, or placing any restriction on the coinage of rupees; while the principle of the exchange is that to which the people of India are habituated, and which a prescription of centuries recommends to their use. I submit, with much respect for the opinions of those who favour other schemes of this kind, that, if it is proposed to make trial in India of any plan which is intended to act on the foreign exchanges by cutting off from the country its natural and indispensable supply of money, then any limitation on the coinage and circulation of full value money, will, for every one of the advantages which I have pointed out, create a specific countervailing evil in its place, and inflict upon India all the results of an artificially appreciated currency, which in this country and at this moment we suffer from, and regard as a great public misfortune, but from which we are nevertheless completely at a loss to find any means of extrication.

CLARMONT DANIELL.

December 30, 1892.

REFERENCES to the "Industrial Competition of Asia," in which the arguments for the foregoing proposals, and some other points, are stated at length.

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NOTE on the EFFECTS of a LIMITATION on the SUPPLY of SILVER MONEY in INDIA, by CLARMONT DANIELL, B.C.S., Retired.

The Indian Currency Association propose that, in India, an artificial value should be given to the silver money of the country in excess of its market value by a limitation on the supply, in order that thereby the growing divergence of value between rupees and sovereigns may be arrested. They, no doubt, justify this course to themselves, in the belief that the enhanced value which the rupee is thus to acquire will become its market value. This assumption, however, ignores certain elementary facts which have an important practical bearing on the results of such an experiment.

All exchanges of money as between nations proceed on the basis of metallic equivalents, and—temporary oscillations apart—at values regulated by the quantity of gold or silver of the same quality in the different coins under exchange with one another, and in the exchange of silver coins for gold coins by their metallic equivalence of value as ascertained in the open market. This circumstance would prevent the desired convergence of value between the over-valued silver money of India and the gold money of England. The currency valuation of the rupee and its market value would not go together. Also, it is the case that trade consists in the exchange of goods for one another, and that these exchanges are made at equivalent values, which values are expressed in terms of money—commonly called price. Price depends upon value, not value upon price; therefore, no depreciation of price which is artificially contrived can lower the value of anything, and no inflation of prices can bestow a higher value on commodities. That remains just what it would have been if no manipulation of prices had been attempted. Good money, that is to say, full value money in unrestricted supply, has an intrinsic value of its own arising out of the same causes which give value to goods. The relation of value between two kinds of money when used for pricing goods is settled by the quantities of either which avail to purchase the same article in the same market, because things which are equal to the same thing are equal to one another. Prices in terms of gold and silver money only correspond with the values of goods when ascertained in this manner in markets free and open, both to the unrestricted sale of commodities and the unrestricted circulation of money. From this it follows that any given sum of money becomes an equivalent in the exchange with any particular quantity of any kind of goods. It is also a standard for measuring their value, for reasons connected with a supply provided by the voluntary contributions of the public who make use of the currency. They will certainly not put their gold and silver into circulation at less than its commercial value, and the mass of money so constituted becomes, from the nature of the case, the best ma-

chinery for measuring the relative values of goods in one another, that is to say, the best available standard. When, however, money comes under the influence of legal or other arbitrary conditions, directed to enhance its value by making it more scarce than it otherwise would be, the equivalence of value between money and goods is disturbed, and price in the regulated currency ceases to be a true expression of value. In a trade between a silver-using and a gold-using country served by a currency thus "managed," merchandise would be exchanged through two intermediaries; one, the rupee, artificially valued, would hold one kind of relation of value to commerce, and the other, the sovereign, commercially valued, quite another. As the values of the two kinds of money would no longer rest upon their ascertained value in the same kind of goods, but partly upon that and partly upon the legal or arbitrary valuation, they could not exchange into one another at their metallic, which is their commercial, equivalence. At present the money of India and the money of England, although they have no common metallic basis, have a common commercial basis, in virtue of which gold serves as the standard for goods and for silver alike. Even this, under the plan of the Indian Currency Association, would be lost; and a State valuation of the kind proposed, so far from improving the rate of exchange, would make it more irregular than ever, because it would have no necessary connection with the actual value of the money concerned, as reckoned at the market.

One among those merchants and planters in Bengal who object to any limitation being put upon the coinage of rupees is quoted by the Calcutta correspondent of the "Times" (12th December 1892) as expressing himself to the following effect:—"That the rupee "affords at present a stable currency in respect of the "internal requirements of the country, and that "artificial devices for increasing its stability as a "medium for external liabilities will shake its stability "as a medium for internal obligations and for internal "production and commerce." Than this conclusion none could be more true, for that which is radically vicious from the point of view of the foreign exchanges must be equally so from that of the native industries.

The Indian Currency Association proposes, in effect, to put the Government of India in the position of a monopolist, and urges it to deal with the currency as the monopolist deals with the article he offers for sale, when he destroys a large part of it in order to enhance the value of the remainder. The Government having at its command an annual supply of silver to the value of about 7,000,000*l.* sterling for coinage, in the contributions to the currency which the Indian public are accustomed to make, is urged to dispense with a portion of this supply, by putting a limit on the coinage of rupees, below that which experience has proved the commerce of the country to require. As it is intended that the silver metal thus discarded from use as money should become comparatively valueless to its owners (for it is only on this hypothesis that the portion coming under coinage would obtain the desired appreciation of value), the course of action thus recommended to Government goes as nearly as possible to a destruction of a large part of the money supply of the country—and this, in face of the fact that there is no country in the world which, having regard to its commercial importance, is so insufficiently supplied with money as India.

But it is only in the event of the Government becoming really and practically a monopolist of coin that it would be in a position to enhance its value artificially in the manner proposed. Unless it acquired complete control over *all* the money in circulation, it is evident that its monopoly would break down. The issue of money from the mints in India having been reduced in quantity, there would still remain the outside market to be reckoned with, and a valuation of silver which, as will be shown, would be wholly beyond the influence of the rupee currency. Such a monopoly of the coin supply would be infringed in many ways. An irresistible temptation (as has been often observed) would be held out to coiners of illicit money to manufacture abroad and import into India imitation rupees of perfectly good standard and full value, and it would not be possible to prevent their circulation in considerable numbers.

There are also in India several semi-independent Native States who coin their own gold and silver money. These coins circulate not only within but without the borders of these States, that is to say, in the British districts, at their bullion or market values. The supplies of such coins would necessarily be largely increased in the expectation that they would share in the artificial enhancement which the purchasing power of the authorised money is assumed to have received; and because, the volume of money in circulation in British India being even under existing arrangements far too small for its commerce, any amount of coin within the capacity of the Native States to issue would be eagerly taken up in order to fill the vacuum in the circulation occasioned by the reduced coinages of the British mints.

But, in addition to this latter supply of substituted coins, imitations of them of full weight and value would be provided by the million by coiners in India itself. Such coins could be fabricated with the greatest ease and with the rudest implements, for the originals are at best very roughly made, and therefore easily imitated, at a cost probably not exceeding a penny an ounce. This would make the business a very profitable one. It is not, in the present state of the law, illegal to make imitations of coins which are not issued from the mints of the Indian Government, and if it were made illegal the proscription could be easily evaded, for imitations of the obsolete coins of extinct dynasties which have in the market a recognised value would, if intrinsically of equal value, pass from hand to hand as money. Such imitations of ancient gold coins are to be met with in India, fabricated to meet a demand for gold in a convenient form. So it would be with these spurious silver coins.

Here we have three kinds of good full value rupees, which, if the British currency were raised only 10 per cent. above its metallic value, would be supplied at a considerable profit and with little or no risk of legal penalties. With three or four silver currencies in circulation, of which one, and that the least in favour, would be by law rated above its value, two prices for goods in the markets would come into existence; and the illicit coin would be everywhere more acceptable, and therefore increase in circulation, because a heavier weight of metal (than would be the case in the authorised coin) would be given for any particular quantity of goods. So far as they were used for the daily petty trade of the bazaars, their circulation would be fatal to that elevation of value which the Indian Currency Association hope to bestow on the rupee of the future, and the influence of the currency on the regulation of values would be nowhere.

Little able as the Government would be to secure a monopoly value to its own coin, it would be still less able to raise the value of silver in the outside market. Who, for instance, having gold money in England and offering it for sale in India by means of a draft on this country, would sell it for a farthing in the rupee below its market value in silver as quoted in Europe? The argument that such persons require rupees in India for the purposes of their business, and therefore must buy the Government coin or go without money altogether, assumes that gold thus held in England cannot by indirect means be used as money in India. It could be transported to India, and go to increase the drain of gold which India makes on the gold stocks of the Western world to a still greater extent than at present. In India this gold bullion would be used, as it is now to some extent, as a reserve against which private documentary money would be supplied to trade; or, with it, silver bars would be bought and exported for a similar purpose or for manufacture into spurious coin. It is no improbable conjecture that the mercantile classes, apprehensive of loss from trading with these competing silver currencies, would set up a system of their own, based on gold and silver bullion exchanging by the transfer of warrants, or in some such way, at market values, alongside of the State currency. It would certainly be profitable and by no means difficult to do so, as the people of India recognise no other method for the exchange of gold and silver money but by the rates prescribed by the open market. But, short of this, gold money such as sovereigns, the value of which is recognised and quoted every morning in the daily papers, would, in the state of confusion into which the currency would be thrown, be taken in preference to any other kind of money in the payment of debt, and thus become the basis upon which much of the internal and all the foreign trade of the country would be conducted.

It is impossible to make a forecast of all the effects on the trade and finances of India which an abandonment of silver at its natural, for silver at an artificial, valuation as the standard money of the country may

produce. In any view of the case, the limitation of the coinage of silver money in India will have no influence on the outside market, and will fail to raise the value of silver bullion as little as that of silver coin, and the intended action of the Indian currency on the foreign exchanges will prove abortive. At present the Secretary of State for India makes no attempt to "rig" the market, but takes the best gold price he can get in England for the rupees he has to sell in India. It is, however, part of the proposal that comes from India that he should use the machinery of "Council Bills" for improving the exchanges. That, in order to enforce the artificial valuation of the rupee in India, some gambling of this kind in the exchanges would become necessary, appears evident from what a writer in the "Fortnightly Review" for January last says on this subject:—"The exchange operations of the Indian "Government would," he says, "require close study. "If the Indian harvests were deficient, and those of "America abundant, the price of Council drafts would "require to be reduced, notwithstanding pressure "from Lancashire. The export trades would also," in his opinion, "require to be closely watched, for, if the "exchanges were raised too rapidly and considerably, "exports would be checked and the flow of silver to "the East arrested. The Government of India should "also buy silver liberally, and coin it whenever the "Indian bank rates denoted a money stringency. "Again, if the bullion price of silver advances, so that "silver and the rupee go up together, and if the "export trade of India shows no diminution, gold "prices in London having risen, then the experiment "will have succeeded; if, however, silver falls while "the rupee advances, then the Indian mints should "be promptly opened again, or the revenue from the "opium sales to China may suffer, and England's ex-"changes with China, Persia, Chili, and perhaps "Russia, may suffer;" and a good deal more to the same effect. This, however, is a kind of business which no Secretary of State and no Viceroy in India is ever likely to undertake, and that it can be thought even remotely necessary is sufficient to condemn the whole scheme.

The treasure which now goes to India every year, or rather has on the average gone there during the last 20 years, is, gold and silver taken together, valued by present prices, worth within a few pounds of 9¾*l.* millions sterling. Of this, silver constitutes a value in rupees of nearly 72½ millions (Rs.), almost all of which is destined for coinage into money. The commercial dealings of India with England are such that this 9¾*l.* millions of treasure must be taken to be payment of goods supplied to foreign countries by India through her external trade. There is little or nothing else on account of which India has to receive payment from abroad. When the silver portion of this annual importation of treasure can no longer be used freely and fully as money, how will the balance of debt due to India be paid? Assuming, for the sake of argument, that the Government of India could succeed in suppressing every form of money except that supplied by its own mints, this annual importation of silver would be greatly reduced, and the business which, during 20 years, it has sustained must be carried through with a contracted circulation. In such an event prices would fall, the exchanges of commerce from dearth of money would correspondingly diminish, which in itself would be a serious restraint on trade. At the same time falling prices would discourage production, and tend to reduce wages and throw men and women out of work by the million. Capital would be driven from India instead of being attracted to the country as it should be, and the rate of interest and discount would rise. As the produce of every kind of labour, handicraft, manufacture, or goods in trade, would command less money than before, debtors would find greater difficulty than they do now in discharging their liabilities, and this condition would affect for the worse the financial position of Government no less than the pockets of its subjects. The revenue would, for the same reason, be collected with difficulty, and deficits would become every year a more prominent feature in the Budget of the Indian Exchequer. The taxation which has become necessary to meet the "loss by exchange" on the Home charges, if apparently less in amount, would be no lighter burden on the country, for the taxpayer, in order to pay a slightly lower tax, would be compelled to part with as much of the produce of his industry as was used to be taken from him when higher prices prevailed. If the 100 millions of rupees which are now raised by taxes to meet the "loss by exchange" were reduced to 90 or to 80 millions, not an anna of the difference would go into the pockets of the producing classes. Government might appear to be paying less for the gold it might buy in England, but the real purchaser, *i.e.*, the Indian taxpayer, ryot, manufacturer, or merchant, would contribute just as much as before. In meal or in malt the market equivalent of the gold in silver rupees, which India buys in England, must be paid in full. No possible manipulation of the currency can turn the flank of this difficulty, or drive it off the field.

Whatever course may be taken to enforce an artificial valuation of the rupee currency, it will prove to be nothing short of a continual tampering with the standard money of the country, that by which the proceeds of the industry of 230 millions of people are priced. It will be opposed to the interests, the convenience, and the well-being of every class. All men can adapt their bargains to the rise and fall of rupee prices, which, if left alone, are at least regulated by conditions connected with their own daily labour and daily wants. At present these variations are so gradual and so slight that they distress no one; but for the Government to undertake to adapt the standard to variations in its own value against another metal, by alternately lengthening and shortening it, would derange every relation existing between money and the daily life of the whole community. Such a scheme is fore-doomed to failure. No Government, especially one so situated as that of the English in India, could afford to enter on a contest of this kind with the whole population of the country. So far as it might be attempted and persevered in, it would result in widespread confusion and financial disaster.

CLARMONT DANIELL.

CURRENCY OF INDIA.

LETTER from the Rev. J. P. V. D'EREMAR, D.D., formerly Roman Catholic Chaplain in India, to the LORD PRESIDENT and the MEMBERS of the ROYAL COMMISSION ON INDIAN CURRENCY, London.

MY LORD AND GENTLEMEN,

THE actual currency of India (rupee, half, quarter, one-eighth rupee; half-anna, pice, and pie) completely meet all the wants of India for daily use and internal trade. For Indian currency, notes and rupees are high enough for trade and for the rich, while the pie and pice are small enough for the low prices of living and the frugal wants of the masses. Both silver and bronze are plentifully supplied for the needs of circulation. Cowries, though still in use, are steadily dying out of the active circulation; India is very conservative.

India needs, therefore, no change in her currency, except perhaps on two trifling points: 1, a silver coin of two rupees, equivalent to the English double florin, to be, in frugal India, what the half-sovereign is in England—the small coin of the rich and the big coin of the poor; and, 2, a bronze anna piece; for, as yet, the anna is a mere name without a corresponding coin.

A change, however, in the currency is absolutely needed to enable India to hold her own in trading with the rest of the world; and I take it that the Indian Currency Commission has been appointed to report what change is necessary and practicable in the interest of the trade of India considered as the out-put of the entire nation.

This is a matter above and beyond all questions affecting special classes, *i.e.*, losses incurred in exchange by Government officials, by European merchants and residents, and even by Native merchants engaged in foreign trade. Not only are these losses small to the individuals as compared with the loss by the State, but we must also remember that they themselves, by their vast transfers, partly create the very evil of which they complain, and that they actually reap much profit even where they incur loss. The real point for the Commission is, how to deal justly with India as a nation; to protect the trade of India against outside interference; to give her a currency which may steady her rate of exchange fairly, without exposing her compulsorily to loss in all her transactions. Such a loss can be, and ought to be, at once prevented by England, which professes (and really tries) to rule India for the benefit of her own teeming millions, and not for the advantage of certain classes only, much less for the profit of certain English merchants.

India, at present, needlessly loses 40 per cent., not only on her monetary transactions with England,—

which might, perhaps, be borne as a set-off against good government, but even on her transactions with the rest of the world to whom India is under no obligation at all, *e.g.*, China. Last year's balance of trade was against China—a silver-using country—to over 7,000,000*l.*, yet the exchange was kept against India, and 1 dollar was Rs. 2·25, instead of being below Rs. 2. This anomaly is the outcome of letting the rate of exchange be arbitrarily fixed in London, instead of letting it follow the conditions of trade. It is against this arbitrary fixing of the Indian exchange in England, and through England with the entire world, that your Commission has to find a remedy by modifying the Indian currency in the interests of India as a nation. These interests are not the same, and, in fact, are opposed to the interests of bankers and English merchants in India, and of purchasers of Indian produce in Europe, yet it is only men of these interested classes who—so far as the names have been published in the papers—have been examined by this Commission.

The latest figures to hand (Imperial Institute Year Book, 1892) give for 1890–91 a nett import into India of 5,639,172*l.* in gold, and 14,175,136*l.* in silver—a total in specie of 19,814,308*l.*, counting the Rx.=£ at par.

This shows how rich a country India is, how vast are her productive powers, how enormous is her trade. After squaring her imports against her exports—after paying 17,000,000*l.* for the Home Charges—and after losing 40 per cent. on these transactions, India still had to receive from the rest of the world the immense sum of nearly 20 millions to balance her trade!

Had the Indian mints been closed to private coinage of silver, the whole of these 20 millions would have had to be paid in gold. Hence it follows, that the closing of the mints to the free coinage of silver for private persons is the first step needed to settle the Indian exchange. It will stop the present extravagant import of silver, and compel the import of more gold. Let the minting of silver be reserved, from 1st April 1893, to the Government alone, which should continue to coin freely as much as is actually needed, and not more. At present, rupees are coined so abundantly that they overflow the frontiers into China, Thibet, Tartary, Afghanistan, Persia, Arabia, Egypt, and even make it necessary, in distant German East Africa, to impose restrictions for preventing the rupee from ousting the German mark out of the market. Messrs. Curzon, Rockhill, and Gilmour, besides other travellers, vouch for this omnipresence of the rupee in Asia. Last year, China took over 160,000*l.* in rupees *viâ* Thibet alone, besides what flowed in at her eastern ports and southern frontiers.

Here is proof positive of an extreme redundancy of rupees caused by allowing India's debtors to flood her with cheap silver, which the Indian Government coins into more rupees than India needs, thus swamping and depreciating its own currency for the benefit of outsiders, by extreme over-production. Stop, then, the free coinage of silver; impose some slight but efficient duty on its import; and half the difficulty of the Indian currency question vanishes at once.

If, after paying all her dues all over the world—England and the Home Charges included—India still had to receive nearly 20,000,000*l.* in specie, this is proof positive that her exports are so vast that she does not need to send out one single coin, or one single ounce of the precious metals; others have to send to her. Hence, for India's interest, the sums needed for the Home Charges should be put up for sale *in India* by the Indian Government, and not in England. The periodical flooding of the London market with Council Bills on Indian treasuries, instead of a call in India for drafts on India's debtors in Europe and elsewhere, has, for years, fixed a false and unjust rate of exchange against India. This is all the worse for India, because it is done, not in open market, but by *secret tender*, confined to a few. Thus, for the profit of these tenderers in London, not only is India's exchange fixed at a ruinously low rate with England itself for the Home Charges, but through that it is unjustly lowered for all English monetary transactions with India, and through England it is lowered also with the rest of the world. This causes a dead loss of 40 per cent. on all her transactions.

No wonder the suspicion is abroad that this sale of bills in England has been invented, and is continued, expressly for the purpose of lowering the Indian exchange, of enriching English merchants and financiers at the cost of the Indian producer, of impoverishing India for the advantage of England. The matter is too clear to have escaped the notice of any thinking man; and, if it has been done otherwise than purposely, it shows a phenomenal degree of ignorance in the Government of India and at the India Office. This opinion is gaining ground in India.

As India need not export money or bullion, and can meet all her debts by her own drafts on her debtors, the sale of the Council's Bills in London is as unnecessary as it is disastrous to India's interests. It in no way benefits the Imperial Government or the recipients of the Home Charges. It is merely a source of unjust profit to some English merchants, financiers, and bankers. How dare we sacrifice the interests of India to the unholy profit of a few Englishmen?

Hence it is absolutely necessary for India that these sales of Council Bills in London be stopped concurrently with the closing of the Indian mints to free coinage of silver, from the 1st April 1893.

To the question, How then are the Home Charges and balance of trade to be met in England by India? the reply is simple. Let the balance of trade settle itself on purely commercial lines, as everywhere else; this needs no governmental or legislative enactments. India need not fear for the result, if not actively overweighted. To meet the Home Charges, let the Indian Government send the requisite amount of gold from India, where its purchase will entail no more loss than buying it in Europe. When the suicidal sale of Council Bills is stopped in England, and the free coinage of silver in India, the balance of trade may be left to settle the rate of exchange individually with each country. As the former is annually in favour of India to an enormous extent, the latter would very soon rise in favour of India, till it even passed the par of exchange.

Here, however, we are confronted with the cry of depreciation of silver, and consequently of the rupee.

But the depreciation of a metal, and the depreciation of a coin of that metal, are very distinct and different things.

Silver may be depreciated (or gold appreciated, or any other such shibboleth may be used); still we see that the English florin, the German mark, and the French franc retain a permanent value, subject to only a fractional variation from temporary balance of trade. If the depreciation of silver as a metal does not succeed in depreciating the florin, mark, and franc, no more could it, by itself, depreciate the silver rupee. Coins are much more than mere metal. They are metallic tokens of a fixed value guaranteed by the solvency of a nation. India is as solvent as England, France, or Germany; and, therefore, her coins, as theirs are, should be considered not as mere metal (as are those of poor, fraudulent, and bankrupt States), but as token-values, secured by the honesty, solvency, and richness of India.

What, therefore, the mere depreciation of silver could not effect is produced by the difference that India has not, as Germany, France, and England have, a standard of gold, of which their silver coins are fractional tokens, current, in consequence, above their market price as mere metal. This, however, is a difference caused by England, and which can be easily eliminated by returning to a gold standard in India; and this is precisely the change absolutely needed in the Indian currency.

I said, *returning to a gold standard* in India, for it is not 60 years since *we* made the rupee the standard coin of India; and only 30 years ago Lord Lawrence coined gold sovereigns, a measure which, had it been continued by his less far-seeing successors, would have entirely obviated the untold losses by India through exchange.

A gold standard, however, does not necessarily imply a gold circulation. The latter India does not at all need; and the former she requires solely to meet the interested cry of "depreciated silver and rupee." For her internal wants, India needs, and for years to come will need, no gold currency, which would be of too high value for her low prices and frugal people; and her currency notes and rupees adequately meet all her wants. She needs no gold currency for her external trade; far from having to send money out, she can square her accounts all round, and still stand to receive nearly 20,000,000*l.* in specie. Her gold coinage need not be great in amount. It must, however, be so graduated and safe-guarded as to keep it out of actual circulation, till it gradually and slowly comes naturally into use with the increasing prosperity of the country. What India needs is a *gold reserve* against her currency notes, gradually accumulated in place of the present silver reserves. This, with a gold coinage, would suffice to fix the value of her silver and paper rupee as tokens

against gold. Even 3,000,000*l.* in gold would amply suffice, thus used, to steady the rupee; all the more because its present depreciation of 40 per cent. is not a natural result, but has been industriously brought about by,—

1. The free coinage of silver in India;
2. The sale of Council Bills in England; and
3. The jockeying of the Indian exchange all over the world, through the unjust rate purposely produced in England.

It so happens that, in fineness and weight, the rupee and its fractional silver coins are almost exact representations of the English florin, shilling, sixpence, and threepence. In future, let them be *precisely* the same, except the design and name. Let India also coin sovereigns, in fineness, size, weight, and design, precisely the same as the English sovereign. On all these Indian coins, *India Imperatrix* should be added after *Fid. Def.* As India has a traditional gold *Mohur* of *about* this value, let the next gold coin equal in amount 1½*l.*; and, to round off the Indian gold coinage with an English equivalent, let there also be 2*l.* pieces in gold. I have already suggested a new coin, the double rupee = the double florin, and a bronze anna piece.

The proposed coinage for India would thus be as follows, coins already in use or once coined being marked *:—

Gold.

		Rupees.		Florins.		
Do-shahi	=	20	=	20	=	2*l.*
Derh-shahi*	=	15	=	15	=	30*s.*
Shahi*	=	10	=	10	=	1*l.*

Silver.

		Rupees.		Florins.		
Do-rupia	=	2	=	2	=	4*s.*
Rupia*	=	1	=	1	=	2*s.*
Ath-anny*	=	½	=	½	=	1*s.*
Chav-anny*	=	¼	=	¼	=	6*d.*
Do-anny*	=	⅛	=	⅛	=	3*d.*

Bronze.

		Rupees.		Florins.		
Ana	=	1/16	=	1/16	=	1½*d.*
Adh-ana*	=	1/32 or ½ ana			=	¾*d.*
Paisa or pice*	=	1/64 or ¼ ,,			=	⅜*d.*
Pai or pie*	=	1/128 or 1/12 ana			=	⅛*d.*

This coinage, differing only in the highest grade of each metal from that in current use, would not, to any appreciable degree, affect the internal trade and daily requirements of the people. Yet it would suffice to steady the exchange, by having a common coinage with England; which, in conjunction with the extent of India's trade, would fix that exchange where it should justly stand according to the principles of political economy—above par.

The special interests—European residents, bankers, merchants, planters, and the rest, must be left to arrange themselves, according to the rules of economy, in subordination to the State interest. All these, though numerous, are but a small fraction of the population of India.

At present, England allows an unjust profit to be extracted from India, to the tune of many millions a year, which find their way into the pockets of certain merchants and financiers. This must stop. England must do justice to India. It is only in just dealing that can be founded that feeling of loyalty and friendship which all who love both countries are desirous of seeing established between India and England. This feeling your Commission has the noble duty of fostering, by taking *Justice to India* as your first and sole consideration. This is all the more necessary, because, by settling this question as justice requires, all the special interests will likewise be safeguarded and helped, while only those will lose who at present make an unholy and unjust profit out of India.

My suggestions, therefore, are as follows:—

1. From the 1st April 1893 reserve the coinage of silver to the Indian Government alone for what amount the country needs, *and no more.*

2. Put an import duty of 10 per cent. on all silver, coined and uncoined, except rupees, brought into India.

3. When silver has to be coined for private persons, deduct, as royalty, 30 per cent. of its market value in addition to the duty.

4. Coin gold in 40*s.*, 30*s.*, and 20*s.* pieces, not any half-sovereigns, because it is an object at present to have a gold *standard*, and yet to prevent gold from coming at once into active *circulation.*

5. Put an export duty of 40 per cent. on gold, bullion, coins, and jewelry.

6. Open the mints for free coinage of gold, as it now is for silver.

7. Let silver continue to be legal tender for all payments in India up to any amount.

8. Payment in gold to be only by mutual consent; but gold coins to be *received* at all treasuries for their full value in silver coins, as in the table. Let them be *issued* only in rare cases.

9. After 31st March 1893 abolish the sale of Council Bills in England.

10. For the quarter 1st April to 30th June 1893, let the Indian Government first call for drafts in India on India's debtors in Europe, buying them in the open market in India, in order to meet the Home charges for that quarter. The balance between 5,000,000*l.* and the amount of the drafts procured should be purchased in India, by the Goveenment, in gold—prices being the same everywhere—and sent in the troopships to England. The drafts changed into English gold, and the bullion coined into English sovereigns at the mint, should be given to the Secretary of State to pay in full as now all India's dues in England by salary, pension, and interest.

The immediate and inevitable rise in exchange will then render the next quarter's remittances easier and lighter; and, before the end of the year, there will be no need to do more than remit drafts, which will then have risen to par, and probably even higher.

Having thus placed India on a fair field, with unfettered hands, by the 1st, 4th, 9th, and 10th of these suggestions, let India's exchange everywhere stand or fall by the ordinary rules of political economy. India's immense production and enormous trade need no great-grandmotherly precautions or legislative enactments. Let her fight her own battles; but do not hamper her with sales of bills in England and an open mint for silver in India. On a fair field her exchange will again soon top 2*s.* to the rupee.

Consequently, any and all arbitrary fixing of a special ratio between gold and silver for India (I care not whether suggested by Sir David Barbour, or Mr. Mackay, or the "Times," who all represent *English* views) is simply unjust. The ratio in India must be the *same as it is in England*, France, and Germany, not the mere ratio of metallic prices, but that of token-coinage.

If there is any truth in political economy, the exchange must and will rise in favour of India. Once the rupee = 1/10 shahi = 1/10*l.*, all arbitrary fixing of exchange, be it at 1*s.* 3*d.*, 1*s.* 6*d.*, 1*s.* 9*d.*, or even 2*s.* 6*d.*, is unjust to one or other party. Put both, therefore, on a footing of equality by a gold standard, and let scientific principles regulate the result; do not interfere. If that result, by an impossibility, were bad for India (worse than at present it cannot be), India will grin and bear it. What now renders the burden intolerable is the injustice actually done to India as a nation, in the interest of aliens, by the present policy of Council Bills and open mints.

Wishing to be brief, I omit much, and have little room for proposing and answering objections. If the Commission wish it, I can give facts and figures for all my statements. I need only add a few lines in conclusion.

1. This scheme demonetises no silver, and merely monetises a small amount of gold.

2. It does not, therefore, depreciate silver more, or injure the rupee.

3. It forces no silver into the market, but leaves it hoarded as it is, neither more nor less.

4. If hoarded silver be at all depreciated, it is not forced into sale and can await future chances. Hence there is no loss.

5. This scheme does not appreciably affect the present internal circulation, finances, and trade of India, or the daily requirements of the people, especially of the masses.

6. It will not lead to any export of the precious metals to upset the present balance, but it will stop the excessive import of silver.

7. It will not upset trade, or lessen export; people will still, for instance, drink just as much tea when India has a gold standard as they do now.

8. It will not in the least affect the purchasing power of the rupee and its fractional coins in India.

9. It will merely rectify Indian exchange, on scientific principles, from an arbitrary artificial and unjust to a natural and fair rate, to the advantage of India.

10. It will fix that rate, not by any arbitrary interference, but according to natural laws, at a definite point, subject only to the slight necessary variations of the temporary balance of trade.

11. It will leave a fair field for the action of the correlative laws of supply and demand, which are now violated, of set purpose, by the forced sale of bills when they are not wanted.

12. No loss will accrue to anyone, and no injustice be done. But the present unjust profits of English merchants, financiers, and bankers, will be reduced to just limits, and the systematic exploitation of the Indian exchange, all the world over, for the profit of a few in England, will cease, and it is high time it did.

13. It speaks volumes for the patience and ignorance of India, that its millions have for so many years borne in patient silence this ever-increasing burden, which, the more it is considered, the more unjust and intolerable it looks. Not one British Colony, even the most loyal, would have tolerated this systematised injustice for a second year. A far less matter separated America and England.

In conclusion, let me urge on your Commission the necessity of justice to India. Banks, European mercantile firms, and planters are, in a great measure, interested parties. The "Times"—always unjust and one-sided—and English merchants and producers are interested parties. All these have interests in direct conflict with those of India. Even when they, like Mr. Mackay and the "Times," call for an improvement on the present exchange, it is only to fix another arbitrary sum for good, which will be less unjust indeed to India, but still will be certainly unjust. All their special pleading and specious arguments you must reject, if you would be just to India. Not in their interest are you appointed to report, but in that of India.

The interest of India requires you to consider and to condemn:—

1. The sale of bills in London, where there is no market.
2. Their sale by secret tenders.
3. The flooding of India with cheap silver bullion (not even European coins) owing to a free mint for silver.
4. The active destruction of a gold standard for India caused by ourselves 60 years ago, and repeated after Lord Lawrence's retirement.
5. The poverty of the masses in India, who need no gold for currency purposes.
6. The richness of India as a nation, to whom all the world owes money in exchange for produce, and in whose favour the exchange must, therefore, always lie, if not actively depressed, as now, by unjust action on the part of India's masters.
7. The ease with which the matter can be rectified, whose difficulties are exaggerated by theorists and interested parties.

I am, &c.,
J. P. V. D'EREMAR, D.D.,
Late Chaplain and Missionary in India.

Woking, the Oriental Institute,
17th January 1893.

LETTER to MR. GODLEY from MR. W. DOUGLAS, author of "The Currency of India," (published by Simpkin, Marshall, & Co.).

Lenzie, Glasgow,
SIR, 20th October 1892.

I BEG leave to trouble you with the enclosed pamphlet on the currency of India, a reprint of an older one which has been recently a good deal inquired for by the Indian mercantile community.

What I try to bring out is that the oversight made by the Indian Government lies in that they have not distinguished between a depreciating currency and a fall in "exchange proper," the latter, see table on page 16 of my pamphlet, not having taken place in India at all. What has taken place in effect is exactly the same as a paper currency at an increasing discount would have caused, and it seems to me that both the honour and the honesty of the Government are involved in this question. The artificial legal standard, silver, comes in the way of the actual standard, gold, and, by its fluctuations, causes unnecessary derangement in all transactions and often much injustice.

Should Lord Herschell's Committee see their way to recommend that the Indian mints be closed against silver from all comers (as the French mint was in 1874), and gold declared legal tender, then it seems to me that the balance of equitable considerations would be in favour of restoring the old ratio of 16 rupees to the gold mohur. This point is a very important and difficult one, and can only be decided by a responsible Government on the balance of equitable considerations. But the points that make for the old ratio are,—

1. That the rupee debt was mainly contracted under the old settled ratio, and that it is for the honour of the Government that it should be restored. After the Peninsular wars, during which Consols were at a heavy discount, and the Bank of England 5*l.* note worth only 3*l.* 10*s.* in gold, the Government and the Bank, when gold payments were resumed, did not seek to reduce their liability to the previous low price of Consols, or to 3*l.* 10*s.* for 5*l.* notes. It seems to me that the same honesty and honour should rule the action of the Indian Government.
2. That, under the permanent settlement, by being able now to pay their rent in depreciated rupees, the Bengal landowners have been relieved of 40 per cent. of their land rent at the expense of the Government.
3. That the token currency of India should be as high at least as those of the Latin Union or the Dutch East Indies.
4. That the Indian Government should now do their utmost to save as much as possible of the currency in the hands of our Indian fellow subjects, the returning power of which has been so seriously affected by the keeping open of the mints to coin silver for all comers.

I cannot see that these considerations can be outweighed by any, on the other side, in favour of a lower ratio.

I do not know that I can add anything further to what is contained in my pamphlet and this letter, but should be very much gratified if they are of any service to Lord Herschell's Committee, of which it has been announced that you are to be a member.

Yours, &c.,
WILLIAM DOUGLAS.

LETTER from Mr. WILLIAM DOUGLAS, of Messrs. James Finlay & Co. (author of "The Currency of India, with a letter on Bimetallism"), dated Lenzie, Glasgow, 24th December 1892.

SIR,

You were good enough, on 21st October, to acknowledge receipt of a letter I sent on 20th to each of the members of Lord Herschell's Committee, along with a copy of my pamphlet on the Currency of India.

So far as I have seen in the papers of the kind of men that are being examined by the Committee, it does not seem to me that their evidence is likely to be on the side of justice being done to the people of India in this matter. It has happened to me, in business and otherwise, during the past 20 years, to come across all the types of men who are anxious to prevent the removal of this "silver torment" from our great dependency, and they may be classed as—

1. Bank managers, who have assets in China and Japan, as well as India, and who are afraid of the effect of the introduction of a gold standard into India on their assets in China and Japan, who also, like losing gamblers, seek to continue the speculative working in exchange which at present characterises all the Eastern banks, and which has deservedly ruined two or three of them.
2. Merchants, who largely export produce from India, and to whom the falling exchange often gives a fortuitous extra profit on forward contracts.
3. Tea and other growers of Indian produce, who rejoice in being able to pay their labourers in depreciated rupees; also expecting thereby a fortuitous extra profit, which, however, the competition to sell usually deprives them of.
4. London city men, under Stock Exchange influences, who want to keep up the price of silver securities other than Indian, and who think, on the whole, that it is better that the gold realised on the Indian balance of trade should go to America to buy silver, than that it should go direct to India, to which it properly belongs.

5. Bimetallists, who, like the teetotaler with the drunkard, want to keep India as the shocking example of the evils of depreciating silver.

The baneful influence of these short-sighted types of men on the Indian currency has now continued far too long, and it will be for the lasting credit of Lord Herschell's Committee, if it shows itself superior to views so narrow, and so much against the true interests, not only of our great dependency, but of the United Kingdom as well. Millions on millions of sterling money that might have been profitably employed in developing India, if she had had a whole and sound currency, have gone to the United States and elsewhere instead.

Might I request, of your kindness, that this letter be put before the Committee? If you think it necessary, I would send a copy to each of the members.

Yours most obediently,
WILLIAM DOUGLAS.

Henry Waterfield, Esq.

SUSPENSION OF FREE COINAGE OF SILVER AND COINAGE OF GOLD.

Mr. ALEXANDER DREW to the SECRETARY to Lord HERSCHELL'S COMMITTEE.

Treggandarroch, Blairmore, by Greenock, N.B.,
SIR, 4th March 1893.

FOR the information of the Committee on the Indian Currency, and in the hope that what they contain may be useful and suggestive, I enclose some papers which show the way in which the question has been presenting itself to my mind for several years past. For many years I have been a large trader with India, as well as with other silver-currency countries, so that the question in all its bearings has come become me, not only theoretically but practically.

It is, I think, becoming more and more evident to all concerned in the welfare of our Indian Empire, that my views of seven years ago, as to the closing of the mints to silver from the public and the introduction of a gold standard, point to the right solution of the difficulty, and it will bring a feeling of relief and a sense of stability to the trade if Lord Herschell's Committee reports in that direction, and if that report is given effect to.

Yours faithfully,
ALEXANDER DREW.

Enclosures.

No. 1.

LETTER to SIR ARCHIBALD ORR EWING.

SIR, 13th April 1886.

I HAVE thought for some time of writing to you on the subject of the Indian exchange. We have to-day, for the first time, a remittance from Calcutta under 18*d.*, which brings strongly before me the need for contriving something that may correct the constant fall. I don't say anything as to the general question of the alleged scarcity or appreciation of gold, but try to direct attention only to the excessive supplies of silver and how to meet this, best for us, in India. I was glad to hear you say at the meeting in Glasgow a few months ago, on bimetallism, that if it were not for the difficulty of supplying a gold currency you would prefer that to any other for India. From all the inquiry and thought I can give the subject, I am inclined to think in that direction lies the true remedy, and would hope the difficulty in the way would not be so great as would at first appear, as the change would be likely to be very gradual.

I would not suggest anything very new or experimental, but would follow the example of the French at home and of the Dutch in Java. These two nations have the highest reputation, both for skill and caution in finance, and that is further shown by the success of both in the way they have met the fall in silver.

It is simply to stop or suspend the free coinage of silver, and to take that exclusively into the hands of the Government; but, in case this should make money scarce for purposes of trade, they should, at the same time, allow the free coinage of gold as a legal tender for a specified quantity of coined silver. Supposing then the Indian Government decreed to cease coining silver, both for the public and for themselves, the question arises, is there sufficient gold in India, or available soon for India, so that the community there could have it coined as the needs of trade required?

From all I can learn, there is, notwithstanding some 14,000,000*l.* sterling of the balance of Indian exports being retained in London; still there is 6,000,000*l.* sterling beyond that yearly to be sent to India of that balance. This 6,000,000*l.* is now, and has for years, been sent in silver, and, as far as we are concerned, might as easily be sent in gold, as we must abstract the amount from the stores of the world, whether in silver or in gold, by giving something for it, as we have neither the one nor the other by nature.

This balance, along with hoards of gold already considerable in India, would, I trust, be sufficient to supply the comparatively slow process of money requirements for the growing trade or population of India, in addition to the large silver circulation now in use, and which would not be interfered with in any way. The remittance of the yearly surplus of 6,000,000*l.*, or so, due to India, requires no attention. It would be sent in silver or gold as the owners of it found best for themselves, but naturally would go chiefly in gold, as the easier carried and most steady in value. This gold, however, need not go in any fixed quantity from London. It would go from anywhere in the world where it could be cheapest got. Further, the stores of gold now in India would come out freely, I would think, as soon as the owners could get it coined into legal tender money, which they cannot get done at present.

If it is asked what number of rupees would you make, say an Indian sovereign, same as ours, equal to, I would first consider what would likely be the value of rupees after the Government had given notice, or had actually stopped coining rupees, and thereby cut them (the present circulation) off from touch with falling silver bullion. It might likely raise the coined rupees all to 20*d.*, which they stood at not very long ago, that is, the new Indian sovereign would be equal to and legal tender for 12 rupees, which would never alter afterwards. I am in great doubt as to the value of silver remaining as at present, or even near it. I have seen estimates of the cost of mining and refining silver in America that would make one stare. Some authorities speak of as as low as 1*s.* 6*d.* per oz., but, passing that by as an exaggeration, it does not seem extravagant to suppose it may come to 3*s.* or even 2*s.* 6*d.* Another fear is that there are great stocks of it above ground in America and elsewhere, only kept back by skilful holders, so that they may clear it without too sudden fall; but the fall must come some day. I hope you can help to keep India out of it.

Yours faithfully,
ALEXANDER DREW.

No. 2.

149, West George Street, Glasgow,
DEAR SIR ARCHIBALD, 27th April 1886.

I FULLY concur in what you say as to Imperial and Colonial currency generally, and it is a strong support to the practicability of that view that in all our great self-governing colonies our gold standard is already in use. You are quite right in saying that the French and Dutch method mentioned in my former letter is bimetallism in a way, but it is not the bimetallism of the extremists of that doctrine which would require the mint to be kept open equally for the free coinage of gold and silver. This I conceive would never work under the great variation in silver now to be looked for, and I therefore entirely differ with its supporters. It is to the merit of France that she saw the fall 12 years ago, and of herself quietly dropped pure bimetallism.

The results would be as follows:—

(1.) There would be an outflow of gold from the hoards of India for coinage into sovereigns, of weight and standard same as at home, legal tender for gold debts, also for rupee debts at the rate of rupees per sovereign at the option of the debtor.

(2.) There would be no restriction of currency by the mint being put exclusively under contracts of the Government, as the new gold free coinage would gradually supply that, and the rupees already in circulation would increase in value or purchasing power.

(3.) Those persons choosing to have their gold stores coined into sovereigns could not suffer loss thereby, as the cost of coinage is very small and the sovereigns are of the same value as the gold bullion,

and the owners would coin gold only at their own option.

(4.) The gradual increase in the value of the rupee under Government coinage would be a great boon to the innumerable holders in India, and ultimately, at no distant time, it would become a token or money of account for one-tenth of a sovereign in the same manner as we have the shilling equal to one-twentieth.

In conclusion, we would then have a gold standard currency in India, same as in Australia, quite free of silver fluctuations, and a very large silver circulation at par with gold, same as in Holland, Java, and France.

Very truly yours,

ALEXANDER DREW.

No. 3.

GLASGOW CHAMBER OF COMMERCE.

On Monday, 23rd February 1891, a meeting was held of the Special Committee of the Chamber of Commerce on Indian currency. Mr. David Bannerman presided.

Mr. Drew, who introduced the subject, said he presumed they might take for granted that the disadvantages of a currency fluctuating in value were acknowledged, and that it was needless to go into details as to how such fluctuation affected prejudicially the trade of India. His object in bringing the subject of Indian currency before the Chamber was rather to call attention to a means of giving that currency a more stable value, by which those disadvantages might be reduced or removed. The means he referred to were the introduction of a gold standard, with free coinage—the same as we had at home, and as our great self-governing colonies,—accompanied by the silver currency now in use in India, but the latter so regulated in supply that the silver coin would be maintained at an approximately constant relation to the gold standard. To effect this, the coinage of silver would necessarily be confined to the hands of the Government, but, to obviate any fear of an unduly restricted currency, the coinage of gold as legal tender must, at the same time, be made free to all comers, as it is in this country. Assuming the sovereign as the gold coin, and the rupee as the silver one, the question arose, how many rupees were to be equal to the sovereign. This might be left open for further consideration, but, as a suggestion or example, he would say 12 rupees; that was making the rupee equal 20*d.*, which was the rate it had stood at for some time during the past year. This rate of 20*d.* was higher than for the past few years, but was usual for a considerable period immediately before that; also, it was the medium between the older rate of 24*d.* and the lowest rate which had yet been touched, 16*d.* It might be expected that, the silver coinage being entirely in the hands of the Government, the value of the rupee would rise, and be maintained about the assumed rate of 20*d.* Still, as before said, some other rate might yet be considered. There were various advantages in having the rupee value moderately above its bullion value, such as that the Government would have a profit in coining, and, therefore, not likely to restrict unduly the silver currency; and further, that the rupee would not be exported from India to countries where it would only fetch its bullion value. On the other hand, if the rupee, by restricted coinage, were raised above 20*d.*, there would be an immediate inducement to the public to coin gold, in order to pay debts or to supplement the currency. This is the method at present in use in Holland and its colonies, also in France, and nearly all continental Europe. We know the successful results obtained in maintaining the silver currency of these important countries at a practically stable value to their gold standards. We also know, and he would like the Chamber to acknowledge, that, were any one of these countries now to allow free coinage of silver, the stability would not last a day. Confusion and stoppage of business would promptly ensue, and yet we persisted in imposing such free coinage on India. Even the United States, with their strong silver interests, had just shown that their common sense, in regard to the permanent value of their currency, was still strong. A Committee of the popular House of their Legislature, appointed to consider the question of free silver coinage, had reported, by a majority of two to one, that free coinage of silver ought not to be allowed. In regard, then, to the fitness of India to make the changes requisite to assimilate her currency more nearly to that of the civilised countries he had mentioned, as well as to this country and our colonies, which, it should be noticed, had all got a restricted silver coinage, he would point out, firstly, that India has abundant material for doing so. The produce of India exported was of much greater value than of articles imported. There had been, for a considerable period, a balance over 10,000,000*l.* yearly, having to be paid to India in gold or silver. He found that, during the 10 years 1880 to 1889, the importation of precious metal into India was—gold, 36,000,000*l.*; silver, 75,500,000*l.*; of which, by the accounts of the Indian mint, was coined—gold, 137,000*l.*; silver, 65,631,000*l.*, the difference, no doubt, being used in the arts, or hoarded during that time. During the preceding 40 years, there had been imported—gold, 102,000,000*l.*; silver, 226,000,000*l.*, distributed probably in about the same manner. Of the silver imported, it would be noticed that, year by year, six-sevenths was coined, and went into the ordinary circulation of the country, say, to the amount of six-and-a-half millions sterling yearly. This fact would necessarily be kept in mind in any future coinage regulations for silver. Of the gold, a mere trifle was coined, leaving the important amount of over three-and-a-half millions sterling to disappear in hoarding or ornaments every year. This showed that wealthy natives had no confidence in their silver currency, and felt that, if they hoarded silver or lent it, they could not know the value when afterwards wanted. It was to be noticed also that this preference for gold in India was bringing about now, every year, an effect which was dreaded by some people as a dangerous consequence of adopting a gold currency in India, viz., the withdrawal of large quantities of gold from the trade of the western world. This very absorption had been going on for years, and was going on now every day, in spite of all opinions. Whereas, if allowed to be coined legal tender, it could be lent at interest, with the certainty that, when repaid, the lender would find his capital unimpaired. More likely, then, that gold currency would bring out rather than absorb gold. To sum up, his proposal was, that the Chamber memorialise the Government to adopt a gold currency for India, with silver as a subsidiary currency; the gold coinage free, and the silver currency so regulated, by taking it entirely into the hands of the Government, that its increase will be provided for to such an extent as to maintain the value of the rupee approximately at 20*d.*, or 12 to the sovereign. This, he said, avoided any depreciation of the present silver currency, and also provided for its gradual increase, and benefited the people by an improvement in the purchasing power of their money. He repeated that the proposal he had made was neither new or original, so far as he was concerned. His attention was first called to the evils arising from free coinage of silver by a pamphlet published by his friend, Mr. Douglas, in 1886, and in which he pointed out that, so long ago as 1876, the Bengal Chamber of Commerce petitioned the Viceroy, Lord Lytton, to limit the coining of rupees, but did not propose gold as a substitute, and the subject, therefore, dropped. In 1878, Lord Lytton himself proposed to the Home Government to sanction a gold currency for India; but the scheme was burdened with conditions which would have depreciated the then existing silver currency, and for that or other reasons the proposal of Lord Lytton was also rejected. He was glad to notice, however, that this month, the Honourable Mr. Mackay, Chairman of the Bengal Chamber of Commerce, had asked his Chamber to appoint a committee to approach the Government as to some method of continuing the silver currency, but giving it a gold standard. This was very like, or, he might say, was exactly the same as, what he was aiming at, and it was satisfactory to find that the motion was supported unexpectedly by influential people on the spot.

Sir James Bain seconded Mr. Drew's motion.

Mr. Donald Graham proposed that the motion be not adopted, and said that, although the fluctuation of the Indian currency had its evils, any change might have greater evils. He instanced France as in a bad position as to silver, and strongly objected to the agitation of bimetallists.

Mr. Paul Rottenburg said that the motion did not embody the French method, as he understood it.

Mr. Ross stated that, in his experience, gold and silver in Holland and Java were used indifferently, at a permanent ratio, the coinage of silver being confined to the Government.

Mr. W. Douglas gave a sketch of the introduction of the silver currency into India, and, in reply to Mr. Rottenburg, said that the closing of the silver mint in France in recent years was the chief feature of the

French law to be taken notice of in regard to their present currency system.

Mr. G. H. Dick seconded Mr. Graham's rejection of the motion, and spoke of wider arrangements, apparently favouring bimetallism, but, at the same time, he acknowledged the great steadiness of exchange in Java, and said it favoured trade there.

Mr. W. Ker said that merchants could transact in sterling in India as well as in rupees, and that contracts should be shortened.

Mr. Duncan thought that gold could not be obtained without great difficulty and disturbance in other countries to enable that metal to be used as a standard currency in India. He also feared the lowering of the price of silver generally if its import into India was restricted.

Sir James Bain asked if the steadiness of exchange in Java was not an advantage to importers and exporters.

Mr. Ross replied that there was an advantage all round, and a great benefit to traders in general, as they could estimate the prices of goods pretty accurately, owing to the non-fluctuation of the standard.

Mr. Gilbert Beith opposed the motion, on the ground of a reduced importation of silver into India affecting its price generally, and hence lowering exchange with China and Japan, to the detriment of our trade with these countries. He favoured a wide international agreement for the increase of the currency of the world.

Mr. Drew having shortly replied to the various remarks made, Mr. Balloch suggested that the motion should meantime be withdrawn, which, with consent of his seconder, Sir James Bain, Mr. Drew agreed to, and this was accordingly done.

Closure of the Mints.

Further Letter from Mr. Drew (of Alexander Drew and Sons, Manchester), 23rd March, 1893.

Sir,

I beg to thank you for your kind acknowledgment of my letter of the 6th instant, and for your clear expression of the purport of its enclosures.

The silver crisis has since been increasing in intensity, and the further fall in exchange this week is seriously stopping business in Lancashire, owing to the uncertainty in the value of rupee sales to be in future remitted, and the risk of still lower exchanges.

I hope you will excuse me in suggesting that, without going the length of recommending at once a gold standard, a temporary remedy towards steadying exchange may be afforded by merely closing the mints to the free coinage of silver.

This would probably raise exchange to 1*s.* 4*d.* or 1*s.* 5*d.*, at which rates, with the Government regulating further coinage, it might be maintained fairly steady without a gold standard, and business might be carried on with some certainty of result.

I trust I may be allowed to point out that the proceeds of sales of imported goods are lodged in banks in Calcutta in rupees, and the proceeds of sales of Indian produce imported into London are lodged to credit of these same banks in London. The banks desire to get the use of the rupees lodged with them for the purpose of making new advances to the produce growers, and, having no power of coinage in the event of closed mints, will find it their interest to give drafts on their London credits in exchange for rupees; and, the latter fund being always greater than the former, there will be a competition of the banks to sell drafts on London at a higher and higher sterling price per rupee.

It may also be noted that, with any advance in exchange on its present low rate, a gold standard when decided on would be the more easy of introduction; but the difficulty of its introduction will be aggravated so long as free coinage gives the power of procuring rupees at bullion value.

I remain, &c.,
Alexander Drew.

Indian Currency: further Letter from Mr. Drew to the Secretary.

Creggandarroch, Blairmore, Argyleshire,
16th May 1893.

You may have noticed that the Chamber of Commerce of Glasgow came to a decided vote against bimetallism in November last, by 53 to 19; but it did not follow that the 53 monometallists were, as regards Indian currency, all of one mind.

The question still remained, whether gold or silver monometallism would be best for India; and it must be acknowledged that monometallists, as regards that country, are divided into a gold party and a silver party. The first are chiefly importers of goods into India, and have no desire but for a currency equally stable to what we have at home. The silver party maintain, however, that a depreciating currency, such as silver has been for several years past, confers a benefit on India, by reducing the cost of Indian produce, and thereby stimulating the demand for said produce and for Indian agricultural labour.

They also maintain that the wages paid for such labour have as great a purchasing power of the necessaries of life as these wages ever had; and they therefore believe that the labourer is as well off as he can expect, or have any right to be, and consequently that the depreciating currency does him no harm.

This appears to involve both an error in fact, and an economic fallacy. Firstly, as to the facts; The articles he buys with his wages cannot possibly be supplied so good in quality and so plentiful in quantity with rupees at 15*d.* as at 18*d.* or 20*d.* And, secondly, bearing in mind that improved means of manufacture and conveyance make supplies available at lower prices than formerly, it follows that this would, with a stable currency, have enabled the wage-earner to purchase *more than formerly* with the same wages.

Thus the contention in favour of a depreciating currency falls to the ground, as it necessarily admits that the labourer does not receive the same supplies as he would have received with a stable currency; or, in other words, he is deprived of the benefit naturally flowing from improved means of supply.

While that is the case, there must always be a heavy drag on the social progress of the agricultural labourer in India, on whom the general prosperity of the country so greatly depends.

Considering the corresponding state of things in this country, it will be seen that wages are higher than they have been, arising from improvement in machinery and conveyance and from the profitable employment of capital. By these improvements the cost of the necessaries of life has been greatly reduced. Every shilling of wages earned can purchase more commodities, but no one would therefore venture to argue that wages may be reduced here until they would purchase no more than they would have done before these improvements took place.

We have here, in fact, not only an increased rate of wages, but the wage-earners have also an increased purchasing power in these wages; and this condition would also have obtained in India, had there been there a stable currency giving to the great body of labourers the natural benefits of cheapness in their supplies resulting from improvements referred to.

I beg now to call attention to a new consideration on Indian currency, arising from the facts of the Australian banking crisis. There can be no doubt but that the large deposits of capital sent from this country to Australia have been so sent by numerous people, merely because Australia is a gold standard country, and the capital lent there, of course, assumed to be repayable in the same currency.

It also seems evident that the deposits so sent have been much more than the wants of Australia could profitably or safely employ. I think it highly probable that, if India had been a gold standard country, the greater part of these deposits would have gone there, the improvements required by the wants of so vast a population affording room for the safe use of all loans that might have been sent.

The result, however, of the fear of depreciation of capital in a silver loan, has been, that these savings have been over supplied to the wrong quarter and have been largely lost for want of safe use, while India has been deprived of supplies of useful capital because of the uncertainty of a standard of repayment.

You were good enough to say in your last letter that my letter of 23rd March would be submitted to

your Committee on the Indian Currency. I shall be happy if anything I have written above be thought worthy of similar attention.

I am, &c.
ALEXR. DREW.

LETTER from Mr. DONALD GRAHAM, C.I.E., to the Right Hon. LORD HERSCHELL, dated Airthrey Castle, Stirlingshire, 12th November, 1892.

MY LORD,

I VENTURE to call attention to one aspect of the proposed gold standard for India, which, so far as I have observed, does not seem to have received much notice, and yet which appears to be of the very greatest importance. I refer to the position which the uncoined silver in the shape of ornaments, &c. would take under a restricted coinage. This uncoined silver, which is generally believed to be of enormous amount, is now of full value, weight for weight, with the coined rupee, and is in the nature of a *reserve* available for time of emergency. I remember well that, during the great Madras famine of 1877, large quantities of such silver found their way to the Mint, and must have greatly helped the people in struggling through that crisis. From figures quoted on page 323* of the First Report of the Gold and Silver Commission, I find that, in three years which may be said to have been affected by that calamity, about 4½ crores of rupees worth were so turned into money. No one can tell to what extent the uncoined silver would be relatively depreciated by the closing of the Mints to free coinage; but it is not too much to say that in times of crisis or emergency it would be practically unsaleable, and I need not point out how greatly this would add to the distress of the people and to the difficulties of the Government.

I did not mean to do more than bring this one point before your Lordship's notice, but perhaps it may not be thought presumptuous of me, as one deeply interested in India and the representative of one of the principal firms there, if I venture to make a few further remarks on this gold standard proposal.

If I am not mistaken, the Government of India is apt to look too exclusively to the so-called loss on exchange and its effect upon the budget, and on the other hand too lightly upon the momentous character of the change which it is sought to introduce. In the first place the loss is enormously exaggerated, being based upon the assumption, obviously wrong, that the difference between the actual rate of exchange and 2*s.* on the full amount of the Council drafts is all loss, without making allowance for the payment for stores on which there is no loss whatever, nor for the large portion of the sterling debt which was incurred at various lower rates. In the second place there is no thought of what would have happened if exchange had not fallen, namely, that in that case rupee prices of commodities must have fallen, which surely would have caused far greater loss in the falling-off of land and railway revenues, besides the indirect losses which depreciating values must have brought upon the people. As a matter of fact, India has been exceedingly prosperous, as, independently of statistical evidence, everyone connected with it well knows, though of course it is a misfortune that, under what may be called a deviation from sound principle, a large debt has been incurred in gold, while the revenues are paid in silver.

By an artificial restriction of the currency, the Government may certainly force up exchange, and so escape loss on the home remittances, but at what risk of loss, and even disaster, in other directions? It is difficult to see in what way a gold standard without the support of a gold reserve can really be of any benefit to either the Government or the country. Nor is it clear how a rate of exchange arbitrarily fixed can be more than nominal. It is easy to fix an arbitrary rate (2*s.* as easily as 1*s.* 3*d.*), but the actual rate must still depend upon supply and demand. A forced silver currency may differ in kind, but it cannot differ *in principle* from a forced paper currency. It can have no definite intrinsic support, and its nominal value can only be made effective by a restriction of the supply. In France and America there is a large forced silver currency, which passes without apparent inconvenience, but that is because there is behind it in each case a large gold reserve, as well as a firm belief that, in case of need, the Government is responsible for the full gold equivalent. This has been put to the test in France, where the excess of supply has found refuge in the Bank of France, while as for America it remains to be seen what will happen when the forced monthly increase reaches the point of redundancy.

The Indian Government is in a very different position. It has no gold reserve, nor the possibility of getting such a thing; and of course there could be no belief in its power or intention to withdraw any excessive supply of rupees. Nor can it gauge in the slightest degree what the effect would be, throughout the length and breadth of the land, of severing the connection between coined and uncoined metal.

India is a country of seasons. During the first half of the year, when the crops have to be marketed, there is a great demand for money; and discounts, even under the automatic relief of open mintage, are sometimes at 12 or 15 per cent. In the latter half it is the other way, and money can scarcely find employment at, perhaps, 1½ or 2 per cent. No one can tell how far the redundancy is relieved by melting into ornaments, nor on the other hand can any estimate be made of the injury that might be caused to trade during its most important period by artificial restriction in times of scarcity. If the Government met the latter by fresh coinage it would have to relieve the former by taking redundant coin off the market, otherwise the exchange could have no stability. It is just one of those cases where a departure from a sound basis may lead to unknown difficulties and dangers. I speak from personal knowledge when I say that Portugal, which a few years ago was supposed to have its paper currency fixed on a gold basis and at a fixed exchange, was suddenly wakened up to the delusion, and has since suffered far more from fall in exchange than India has done.

I do not see what difference there would be in *principle* between the paper of Portugal and its nominal gold basis, and the silver of India upon its nominal gold basis.

One point more. I do not think the Government has any support in the country. Ninety-nine per cent. of the people have no knowledge that there is such a thing as an exchange question. What support there is, is among the official classes and certain of the European and Native traders. My information is that the most reliable and independent opinions are against what is believed to be a dangerous tampering with a currency, which, whatever has been its effect upon the budgets of the Government, has proved a good one for the people of the country.

Perhaps I should apologise for intruding upon your Lordship this unasked-for communication, but my interest on the subject must be my excuse. No one has more reason than I have to regret the troubles and inconveniences of a fluctuating exchange, or to welcome any proposal which would give real and permanent stability; but I cannot think that the proposed scheme can give any such hope.

I am, &c.,
DONALD GRAHAM.

NOTE respecting the MELTING of ORNAMENTS in Time of Scarcity.

Evidence of Mr. D. M. Barbour before the Royal Commission on Gold and Silver.

1149. (*The Chairman.*) You tell us that in times of famine hoards are invaded?—That is certainly the case.

1150. Have you any estimate of the amount which was extracted from these hoards in any given district during a period of famine?—It is quite impossible to say. All that we know is that certain amounts were brought to the Bombay Mint for coinage, a certain amount in the form of ornaments; but that must be very much less than the amount that was brought out of the hoards, because the man who drew silver from his hoard would ordinarily pledge it in the first instance with the Native banker or money-lender, and the Native banker might either sell that silver again, if he obtained final possession of it, or he might send it to the Mint. (*See* Appendix V.)

1151. And that excludes gold altogether?—The return for the Bombay Mint excludes gold; but we know that, in years of the great famine in Madras and Bombay, a large amount of gold was sent from India to

* *See* Note at the end of this Paper.

England, and I think Sir H. Hay said he received a quantity of gold from India which was evidently composed of ornaments melted down.

1152. (*Sir T. Farrer.*) And this does not include hoards in the form of rupees?—Certainly not.

STATEMENT showing the amount of Native Coins and Ornaments tendered for Coinage in the Bombay Mint from 1854–55.

Years.	Native Coins.	Ornaments.	Total.
	Rs.	Rs.	Rs.
1854–55	15,81,000	4,69,000	20,50,000
1855–56	10,58,000	2,31,000	12,89,000
1856–57	3,13,000	2,23,000	5,36,000
1857–58	2,02,000	50,000	2,52,000
1858–59	4,48,000	15,000	4,63,000
1859–60	2,25,000	2,24,000	4,49,000
1860–61	1,27,000	2,49,000	3,76,000
1861–62	1,53,000	12,22,000	13,75,000
1862–63	49,000	47,000	96,000
1863–64	37,000	1,63,000	2,00,000
1864–65	2,000	—	2,000
1865–66	74,000	—	74,000
1866–67	3,36,000	—	3,36,000
1867–68	19,75,000	1,53,000	21,28,000
1868–69	19,23,000	1,65,000	20,88,000
1869–70	20,18,000	1,76,000	21,94,000
1870–71	20,74,000	72,000	21,46,000
1871–72	10,88,000	12,50,000	23,38,000
1872–73	15,73,000	28,80,000	44,53,000
1873–74	23,96,000	12,17,000	36,13,000
1874–75	7,90,000	3,63,000	11,53,000
1875–76	7,10,000	75,000	7,85,000
1876–77	20,000	8,52,000	8,72,000
1877–78	—	1,24,00,000	1,24,00,000
1878–79	67,00,000	1,16,00,000	1,83,00,000
1879–80	45,00,000	92,00,000	1,37,00,000
1880–81	25,50,000	10,00,000	35,50,000
1881–82	1,00,000	4,00,000	5,00,000
1882–83	15,50,000	50,000	16,00,000
1883–84	1,25,000	50,000	1,75,000
1884–85	16,25,000	18,75,000	35,00,000
1885–86	2,00,000	3,25,000	5,25,000

INDIAN BILLS and CURRENCY, by MR. JAMES A. GRAHAM, of Grahams & Co., EAST INDIA MERCHANTS.

SILVER.

1. The entire amount of Council drafts for the financial year, with dates distributing them over the year, to be offered on or about the 1st January at a fixed rate. The rate so realized shall be the official rate for that year.

2. So long as the rate of exchange does not exceed the official rate by less than 5 per cent., the free coinage of silver to be suspended. On sufficient evidence that the current rate of exchange is higher than the official rate by 5 per cent., or more, the Government of India may either throw open the mint for free coinage until the rate has gone down again, or may invite tenders of bar silver for delivery at the mint.

(There would be no difficulty in getting evidence as to the rate of exchange from impartial sources.)

GOLD.

1. Coins of equal value to sovereigns to be coined under such regulations as may be thought desirable.

2. The Indian Treasuries to accept these coins or sovereigns, if tendered in payment of taxes, at the official rate.

3. The Indian Government to reserve the option of paying the Council drafts in sovereigns, &c., at the official rate.

JAMES A. GRAHAM.

26th April 1893.

A SCHEME to steady and strengthen the price of INDIAN SILVER LOANS and to afford a means of placing them by degrees upon a GOLD BASIS, by JAMES GRAHAME, of Messrs. Grahame, Crum, & Connal, Chartered Accountants and Stockbrokers, Glasgow, 10th December 1892.

1. THIS paper being of date 10th December 1892, all prices and quotations must be taken as those of that day, India 3 per cent. sterling loan and India 4 per cent. enfaced rupee paper being alone used for comparison and illustration.

2. Whereas, calculated at the present sterling exchange price of the rupee, viz., 1*s.* 2$\frac{3}{4}$*d.*, India 4 per cent. rupee paper at 64$\frac{1}{2}$*l.* (which may be taken as its present market price) yields a purchaser a sterling return of 3*l.* 16*s.* 3*d.* per cent. per annum.

3. And whereas India 3 per cent. sterling loan, if purchased at 97$\frac{1}{2}$*l.* (which may be taken as its present market price), yields a purchaser 3*l.* 1*s.* 6*d.* per cent. per annum.

4. And whereas the sterling exchange value of the rupee would require to fall from 1*s.* 2$\frac{3}{4}$*d.* to 11$\frac{9}{10}$*d.* per rupee before the sterling return upon 4 per cent. rupee paper (if purchased at 64$\frac{1}{2}$*l.*) fell below 3*l.* 1*s.* 6*d.* per cent.

5. And whereas, when the rupee (containing 165 grains fine silver) fell to 11$\frac{9}{10}$*d.*, the ounce of standard silver (containing 444 grains fine silver) would have fallen from 3*s.* 2$\frac{3}{8}$*d.* per oz. as at present to 2*s.* 8*d.* per oz.

6. And whereas, as before shown, the difference between the sterling return at present (owing to the unstable condition of the price of silver) upon the purchase of the identical obligation of the Indian Government when expressed in gold, and when expressed in silver, is no less than 14*s.* 9*d.* per cent. per annum in favour of the purchase of 1,000 rupees of 4 per cent. rupee paper at 64$\frac{1}{2}$*l.* as compared with the purchase of 100*l.* India 3 per cent. loan at 97$\frac{1}{2}$*l.* Therefore—

7. It is suggested that this great difference of sterling return, with the contingencies (in both directions) of the course of silver values, should be seized, economised, adjusted, and applied; the larger portion thereof (say 75 per cent.) as a sinking fund against any future fall in silver value, and the smaller portion (say 25 per cent.) against any future rise in the gold value of that metal.

8. It is suggested that 3*s.* 9*d.* of this 14*s.* 9*d.* of difference per cent. should be applied to the benefit of the rupee paper, and that 11*s.* thereof should be applied to the benefit of the revenues of India, upon the following conditions and in the following method:—

(*a.*) For the purpose of this scheme it is assumed that the rupee cannot fall below 11*d.* sterling, and that standard silver cannot fall below 2*s.* 5$\frac{3}{5}$*d.* per ounce, which are the corresponding values of their respective fine silver contents.

(*b.*) It is, however, assumed that such a condition *has* arrived, so as thereby to reduce the sterling value of the rupee to 11*d.*, and consequently to reduce that of the 40 rupees payable per annum on 1,000 rupees 4 per cent. rupee loan to 1*l.* 16*s.* 8*d.*, and thus to reduce the sterling return upon 1,000 rupees 4 per cent. loan if purchased at 64$\frac{1}{2}$*l.* to 2*l.* 16*s.* 10*d.* per cent. per annum, in place of 3*l.* 16*s.* 3*d.* per cent. per annum as at present.

(*c.*) If to the above sum of 1*l.* 16*s.* 8*d.* be added 3*s.* 9*d.* (as suggested in paragraph 8), these would together amount to 2*l.* 0*s.* 5*d.*, and this sum, it is suggested, should now be fixed as the minimum sterling return to be guaranteed on the 4 per cent. rupee loan.

(*d.*) That the Government of India should engage to give, at any time after a certain date, not less than 67*l.* 6*s.* 8*d.* of India 3 per cent. sterling loan (1948) in exchange for every 1,000 rupees of 4 per cent. silver paper, which would yield as nearly as possible 2*l.* 0*s.* 5*d.* per annum, be worth at present price 65*l.* 13*s.* 0*d.*, and yield a sterling return of 3*l.* 2*s.* 8*d.* per cent. per annum upon the cost of each 1,000 rupees 4 per cent. loan (if purchased at 64$\frac{1}{2}$*l.*) for which it was exchanged. This would be tantamount to issuing the (1948) 3 per cent. sterling loan (56 years to run) at 96*l.* 10*s.* 9*d.*, taking redemption into account. This loan was placed, with 64 years to run in 1884, at an average of 94*l.* 4*s.* 3*d.*—yielding, including redemption, 3*l.* 4*s.* 4*d.* per cent.—consequently, as a conversion process, the proposal now made seems economical and advantageous.

9. It is considered that such a step would encourage the purchase and holding of silver paper, by securing the holder against any possible fall of the rupee below 11*d.*, and by placing it in his option and power to receive in its stead 67*l.* 6*s.* 8*d.* of 3 per cent. loan, worth at present 65*l.* 13*s.* 0*d.* for his holding of 1,000 rupees (which now stands at 64$\frac{1}{2}$*l.*), and with an assured sterling return of 2*l.* 0*s.* 5*d.*

10. In all cases where the exchange was made, and in the event of silver not falling further, it would produce

a sinking fund of 11*s.* per cent. per annum to the Government, and with any rise in silver this would be augmented; while on the other hand there would be a risk of 3*s.* 9*d.* per cent. per annum, and that only to its full extent in the event of the rupee going down to 11*d.* and silver to 2*s.* 5⅜*d.* per ounce, a fall which would involve a drop of more than 25 per cent. upon the present depreciated price of the rupee, and nearly 23 per cent. upon the present depreciated price of silver.

11. It is further suggested that, by thus placing the rupee paper upon a low but secure sterling foundation, a means would be provided whereby (by exchange or purchase) the whole loans and credit of India would really be placed upon a gold basis, without any violent remedy, and without the necessity of absolutely renouncing the chances of a possible, and (owing to the gold developments in Africa, India, and elsewhere), a probable, improvement in the gold value of silver.

A SCHEME for the GRADUAL INTRODUCTION of a GOLD BASIS for the CURRENCY of INDIA, by JAMES GRAHAME, of Messrs. Grahame, Crum, and Connal, Chartered Accountants and Sockbrokers, GLASGOW, 10th December, 1892.

SOME years ago, I formulated a scheme for the gradual introduction of a gold basis of payments in India; and, having mentioned the fact, and being invited to submit the scheme for consideration, I beg to offer the following suggestions.

I must premise that at the time when my scheme was first formulated the circumstances were comparatively simple, because the rupee was then fairly steady at 1*s.* 7*d.* to 1*s.* 8*d.*, and the chief, if not the only disturbing influence, proceeded from the demonetisation of silver by Germany after the end of the Franco-German War.

The situation is now much more complex and critical, the rupee has fallen below 1*s.* 3*d.*, and is unsteady even at that low price, owing to the enormously increased output of silver, to the ease and rapidity of its transmission as compared with former times, and to its production being unduly stimulated by the monthly purchases of silver by the United States Treasury, resulting in a great accumulation of the metal in the hands of the American Government, which they must dispose of somehow.

In addition to this, we are reasonably apprehensive of an early demonetisation of silver by Austria.

All these circumstances forbid a sudden and complete attempt to substitute a gold currency for the existing silver currency of India, and enjoin as gentle and gradual a process in that direction as is compatible with due consideration for the maintenance of commercial activity and credit, and for the manifest hardships inflicted upon commerce and individuals by the violent alterations in the relative values of gold and silver currencies in exchange.

In dealing with the currency of India and any change in its character, it is impossible to dissociate from it, in our consideration, the subject of the public debt of India, so far as represented by its silver loans, or the subject of the stated silver payments made to servants and others by the Indian Government, both of which have been seriously affected by the same conditions which make the currency question of India a vital and critical question for that great dependency and our commerce with it.

I must therefore respectfully request that this paper on the currency may be read side by side with another communication by me of the same date,* intituled "A "Scheme to steady and strengthen the price of Indian "Silver Loans, and to afford the means of placing "them by degrees upon a gold basis."

As in that paper I suggest that a limit should be placed to the amount of silver represented in the silver loan paper of India, so in this communication I suggest that a similar limit should be placed upon the amount of silver offered as legal tender for payment of debts over a certain amount.

But with this qualification, that at first the legal tender of silver should be proportionately the largest part of the payment, and be gradually reduced year by year until it became the smallest part thereof.

A very low limit is not in this proposal suggested for the maximum legal tender of silver, because in a silver-using country such as India, with an enormous and comparatively poor population, with small wages and small expenses, there must be an intermediate class to whom the loss of a comparatively free use of silver as a currency up to a certain point would be a disaster to them, and to those both below and above them in the social scale.

When it was suggested the other day at the Monetary Conference at Brussels that Great Britain should raise the legal tender of silver from 2*l.* to 5*l.* as an ease to the silver market (she being a rich and gold-using country), it would be absurd to fix anything but a comparatively high legal silver tender for India, whose population is comparatively poor, and to whom the free use of a cheaper medium of exchange than gold up to a certain amount is a matter of necessity.

It is therefore suggested that the lowest maximum legal tender of silver should be fixed ultimately at 500 rupees, and that this limit should be reached over a course of nine years by making the maximum legal tender of silver in payment of all sums above 500 rupees, 90 per cent. in the first year, 80 per cent. in the second year, and so on, until it fell to 10 per cent. in the ninth year, after which all debts must, except to the extent of 500 rupees, be paid in gold or in State gold notes.

In dealing with the value of a rupee as embraced in a gold standard, it is suggested that it should be treated as the silver shilling is treated, viz., as a token valued at two shillings, or one-tenth of a pound sterling.

For example, under such a system a debt of 100,000 rupees could be paid, starting from this date:—

1893	90,000	in rupees and	1,000*l.*	in gold or gold notes.	
1894	80,000	,, ,,	2,000*l.*	,,	,,
1895	70,000	,, ,,	3,000*l.*	,,	,,
1896	60,000	,, ,,	4,000*l.*	,,	,,
1897	50,000	,, ,,	5,000*l.*	,,	,,
1898	40,000	,, ,,	6,000*l.*	,,	,,
1899	30,000	,, ,,	7,000*l.*	,,	,,
1900	20,000	,, ,,	8,000*l.*	,,	,,
1901	10,000	,, ,,	9,000*l.*	,,	,,

after which, payment would only be legally tendered in gold except to the extent of 500 rupees.

And as an example of a smaller sum, say a debt of 10,000 rupees, it could be paid:

1893	9,000	in rupees and	100*l.*	in gold or gold notes.	
1894	8,000	,, ,,	200*l.*	,,	,,
1895	7,000	,, ,,	300*l.*	,,	,,
1896	6,000	,, ,,	400*l.*	,,	,,
1897	5,000	,, ,,	500*l.*	,,	,,
1898	4,000	,, ,,	600*l.*	,,	,,
1899	3,000	,, ,,	700*l.*	,,	,,
1900	2,000	,, ,,	800*l.*	,,	,,
1901	1,000	,, ,,	900*l.*	,,	,,

after which, payment would only be legally tendered in gold, except to the extent of 500 rupees.

It is suggested that, by such a course governing all debts, the great internal business of India dependent upon silver as a currency would not be affected, but that the large commercial dealings between India, Great Britain, and other countries, would be placed upon a basis of increasing certainty, since in every year, and more so as the years advanced, every one would know more precisely the gold value of his transaction, apart from the silver portion, and further be instructed as to the precise amount of the gold he would either receive or require to provide in payments of debts.

It is suggested that salaries and pay fixed upon a higher silver value than obtains at present should be treated on the same principle, with a provision to compromise by a mean sterling payment to begin at once.

Two evils are to be provided against, the first an undue and unnecessary supply of gold coin; and the second, the danger of hoarding small sums of gold, which would, from the habits of the people, be likely to occur in India.

These, it is suggested, could be met by making the only gold coin a comparatively large one, and by issuing special State gold notes for smaller payments.

It is suggested, so far as the gold coin is concerned, that this might be achieved by the substitution for the gold mohur of 15 rupees an Imperial coin of 40*s.* or 20 rupees, equal in weight and intrinsic gold value to two British sovereigns, and that no smaller gold coin should be issued.

* Page 305.

The State, it is suggested, should issue State gold notes against gold for the usual larger amounts (which could be convertible at any moment into gold), but that no such convertible note should be issued for a lower sum than 10*l.*, or 100 rupees, and that it should issue smaller gold notes of 20*s.*, or 10 rupees, and of 10*s.*, or 5 rupees, which could not be convertible into gold unless offered in an aggregate amount of not less than 50*l.*, or 500 rupees.

These smaller notes, it is suggested, would serve the purpose, and relieve from the necessity of a subsidiary gold currency, but, being convertible into gold in aggregates of 50*l.*, would take the place of the medium class of payments now made in silver. Being inconvertible, except in the aggregate above mentioned, they would prevent the hoarding of small quantities of gold coin, and from their convenience and aggregate ultimate value remain in circulation, it is believed for a considerable time, to the advantage of the State, and to the ease of gradually effecting the introduction of a gold basis of a payments in India.

The Stock of Silver in India.

Note by Mr. F. C. Harrison.

In a paper which may be hereafter printed in the "Economic Journal," I have treated this subject at length, and given in considerable detail the grounds on which the conclusions, here stated, have been based.

It is convenient to separate the history of silver in India into five periods:

(1.) 1835 to 1892.
(2.) 1800 to 1835.
(3.) The discovery of America to 1800.
(4.) The Christian era to the discovery of America.
(5.) Prehistoric times.

The dates are given inversely so that the progression may be from the more known to the less known.

(1.) 1835 to 1892. The data for this period are fairly complete. Up to 1865-66 the details are based on returns submitted to Parliament, and onwards from statements furnished by the several local governments. From 1875 the figures are more reliable. The gross import is 40,928 lakhs, the export 6,643 lakhs, and the net import 34,285 lakhs = 1,178·54 million ounces = 36·65 million kilogrammes.

(2.) 1800 to 1835. For this period the records of the Calcutta Custom House are available, whilst there exists considerable fragmentary information relating to the Bombay and Madras statistics. After a careful study of these figures, I am inclined to think that the gross import into Calcutta and Bombay was 6,119 lakhs, and the export 1,340 lakhs; and, including Madras, I should estimate the net import at 5,358 lakhs = 184·18 million ounces = 5·72 million kilogrammes. W. Jacob's (*cf.* page 319 and 409 of his history) figures, although they include the movements of gold to India and of gold and silver to China, would work out to a somewhat *higher* figure. The information, however, in my possession is more complete, and, I think, more reliable. It can be demonstrated on the other hand that my figures are not too high. The silver coinage for this period in India (*cf.* a long article of mine in the "Calcutta Review") was about 110 crores of rupees, or 75 crores after deducting recoinage. This total has to be further reduced owing to the fact that part of this coinage must have been of silver existing in India *prior* to 1800 in the form of coin, bullion, or ornament. My estimate, therefore, of 6,119 lakhs (61·19 crores) is seen to be reasonable *aliunde*.

(3.) The discovery of America to 1800. A servant of the old East India Company, Milburn by name, published in 1813 a book giving considerable information relating to oriental trade. That book gives, amongst much other interesting detail, the value of the Dutch cargoes from 1614 to 1719, the proceeds of French sales at Port L'Orient in 1760,-1769, 1771-78, and 1791, the receipts of the Hooghley Custom House from 1765 to 1770 from the French, and with a few gaps the exports from England from 1600 to 1800. On the whole, I am inclined to place the net import for this period at 15,106 lakhs = 519 million ounces = 16·20 million kilogrammes. Before going further, it will, I think, be best to tabulate the above side by side with Soetbeer's and the American estimates of the world's production.

Period.	In Millions of Kilogrammes.	
	Production.	Absorption by India.
1493—1800	117·	16·2
1800—1835	21·9	5·72
1835—1892	93·7	36·65
	232·6	58·57

A glance at this table will, I think, show the probability of my estimates being a fair approximation. The proportion of silver going to the East between 1493-1800 must have been low, owing to the trade being less opened up. From 1800 to 1835 the proportion might have been expected to have been greater. It was not so, because Indian trade was in a state of transition. In 1813 the trade was thrown open and Manchester piece goods poured into India. Had not cotton become an export, the balance of trade must have turned against India for several years. It did actually do so in 1823-24, for the only time in India's history, so far as I am aware. America, in that year, was at peace, and, having acquired Carolina from Spain, regained command of the cotton trade.

(4.) and (5.) I must now hark back to the periods antecedent to the discovery of America. Two points relating to these times are, I think, clear: (*a*) that Jacob enormously overrated the abrasion of silver, and (*b*) that in consequence he was obliged to exaggerate the production so as to arrive at a reasonable residue in 1493. I am disposed to believe, after weighing a considerable number of rupees, that the annual loss suffered by silver owing to abrasion must have been less than ·03 per cent., and that the annual loss suffered from this and other causes can hardly have exceeded ·06 per cent. annually. It is known that in the dark ages silver was not extensively mined, and that the stock in 1493 cannot have been very large. Gregory King, whose estimate was accepted by Newmarch, thought that the European stock of coin, bullion, and plate, was then 45,000,000*l.* I think this estimate errs on the side of caution, and that 40 millions of *silver* existed in Europe. If so, India probably held at least as much. Akbar's net revenue (A.D. 1593-1605) has been estimated at 42 millions. Much of this was no doubt collected in kind, and in copper, and somewhat in gold. On the other hand, Akbar did not rule the whole peninsula. As a conjectural basis, I therefore take the stock in India, of silver, in 1493, to have been 40 millions sterling = 290 millions of rupees = 99·68 million ounces = 3·1 million kilogrammes.

II. After making an allowance for the existing stock held in Europe and elsewhere out of India prior to 1493, the table below recapitulates my results:—

Period.	Millions of Kilogrammes.	
	Production.	Absorption by India.
1493-1892	232·6	58·57
Pre-existing stock	11·78	3·1
	244·38	61·67

III. It will be noted that I have taken no count (*a*) of the production within India; (*b*) of any export or import by land after 1500 A.D.; and (*c*) of the waste since 1500.

It is known that silver is not produced in India. The export of rupees in recent years across the border I have estimated to be about a crore of rupees (*cf.* "Economic Journal" for December 1891); this export is, however, of recent growth, and, on the other hand, silver has entered and does now enter India from Ladakh, Muttra, and Thibet. Account has also to be taken of the silver carried away in the raids of Nadir Shah and Ahmad Shah Durani. Taking everything

into consideration, and calculating the waste at ·06 per cent. annually, I am inclined to think that the silver in India is about 510 crores of rupees = 54·55 million kilogrammes.

Note.—In a similar way I have estimated the gold in India to be about 44·32 million ounces = 180 millions sterling.

25th May 1893. F. C. HARRISON.

PEASANTS' HOARDS AND COOLIES' SAVINGS.

NOTE by Mr. F. C. HARRISON.

It is often urged that a successful attempt to raise the value of the rupee by making it scarce will seriously injure the peasant, in that his bullion will be depreciated. I have not the time to write at length upon this aspect of the question, but I may point out some facts which are of some importance in this connexion.

(*a.*) The coinage at the Calcutta and Bombay mints during the last 20 years does not fall much short of 130 crores, whereas the receipts into the same mints of country silver and ornaments are less than 5 crores of rupees. In other words, such receipts do not form 4 per cent. of the total.

Too much stress must not be laid upon the smallness of this percentage. The amount of country silver and ornaments tendered varies from year to year, and the percentage to the receipts is considerably greater in time of famine, *e.g.*, in Bombay in three years, 1877–78 to 1879–80, about 3·30 crores were tendered; in Calcutta, for the last 30 years, the largest amount tendered in one year was 6½ lakhs.

(*b.*) In my first memorandum I have estimated the silver in India to be about 510 crores. Of this about 166½ crores is in active circulation; 343½ crores remain to be accounted for. Of this considerably less than 50 crores is hoarded in the form of rupees. Roughly speaking, it may be said that 300 crores may be held in India in the form of bullion, obsolete coin, and ornaments.

In Madras 1822–23 was a famine year, and the country bullion (silver) brought to the mint was 92½ lakhs. 1832–33 was also in Madras a year of distress, and 1833–34 a year of famine. I give below the figures for gold and silver in decimals of a lakh:—

	Country Bullion and Ornaments.	
	Gold.	Silver.
1831–32 - -	·45	6·
1832–33 - - -	7·39	14·
1833–34 - - -	33·48	52·

F. C. HARRISON.

26th May 1893.

The average number of coolies, according to the Ceylon Blue Books, who return annually to India is over 64,000. This average is for the 14 years ending 1889. The majority of these migrants return after the season, and I imagine they would bring back, women, children, and all, an average of 12 rupees a head = 7½ lakhs a year.

2. The Mauritius coolies on their return (they stay longer) declare annually about 50,000 rupees, and probably bring back another 20,000 undeclared.

3. The Mauritius Government estimate the circulation of rupees in the Colony at 65½ lakhs. The manager of the new Oriental Bank there, who had that estimate before him, would raise it by another ten lakhs.

F. C. HARRISON.

27th May 1893.

LETTER from MR. A. M. LINDSAY to the Secretary of the Indian Currency Committee.

Bank of Bengal, Calcutta,
9th November 1892.

SIR,

BEFORE leaving London, on 7th ultimo, I took the liberty of sending a copy of my pamphlet entitled "Ricardo's Exchange Remedy" to Lord Herschell, and expressed the hope that the scheme proposed therein for establishing a gold standard in India would receive the consideration of the Committee appointed to advise on the desirability of amending the Indian Coinage Act.

The scheme is framed in accordance with arrangements devised by Mr. Ricardo in 1819 for establishing in England "a safe and economical currency." The proposal is to establish in India a gold standard without gold coinage, by making the rupee currency expand and contract automatically at fixed sterling rates with the aid of the gold reserve provided by the silver clause of the English Bank Act. Since my return to India, a second edition of the pamphlet has been issued. Several important additions to the text have been made in the new edition, and I send under separate cover by this mail twelve copies of this edition for the use of the members of the Committee. In doing so, I would invite attention to the fresh arguments adduced to prove that the gold reserve of about 5,000,000*l.*, now available under the silver clause of the Bank Act, will suffice to maintain the convertibility of the rupee currency into sterling, to the extent that convertibility is desirable, according to opinions expressed by Mr. Ricardo, Lord Sherbrooke, Professor Marshall of Cambridge, and other authorities that have advocated the establishment of a gold standard without a gold coinage. Additional reasons are also given in this new edition of my pamphlet, in support of my contention that the adoption of this scheme in India will remove the chief monetary cause of the fall in gold prices, and will also facilitate under all possible circumstances the raising of the sterling money required by the Government of India to defray its Home charges.

I may mention that the scheme continues to receive support from the public press. The leading weekly financial organ in India, "Capital," had a leading article in its last issue (2nd instant), reviewing the main features of the proposals in a favourable and effective manner. A copy of this article is annexed for the information of the members of your Committee.

I have, &c.

A. M. LINDSAY.

Enclosure.

EXTRACT from "Capital," 2nd November 1892.

Ricardo's Exchange Remedy.

We have received a pamphlet under the above title by Mr. A. M. Lindsay, in which the author embodies the proposals made by him at various dates, from 1876 downwards, in the pages of the "Calcutta Review" and elsewhere, for the application, with certain modifications, to this country, of Ricardo's scheme for a currency based on a gold standard without a gold coinage, and at a minimum cost for the gold necessary to safeguard its convertibility. Mr. Lindsay's scheme is, in fact, identical with the most feasible of the schemes for a stable standard currency for India put forward during the present discussion, with the addition of a special provision to secure the convertibility of rupees into sterling in case of their becoming temporarily redundant; and his pamphlet is specially valuable owing to the fact that in it he meets, *seriatim*, all the objections of whatever weight which have been urged against the proposal.

The arrangements which he suggests are that open coinage at the Indian mints should be definitively stopped, the Secretary of State (through the Bank of England) selling Council Bills at a fixed sterling price, calculated to yield a profit over their bullion value, and settled after due consideration of all the interests concerned, "care being taken in raising the rate from the "current figure to the fixed price, that it is done "gradually by small gradations so that trade may "not be disturbed, and no encouragement given to "operate in exchange for a rise," and that for every 10,000*l.* of Council Bills sold in excess of the sum required to meet the Home charges, the Bank should purchase and ship to the Indian mints sufficient silver bullion for coinage to meet such Council Bills. The proposal for securing convertibility in case of necessity, that is, when rupees in this country become redundant and seek export, is that the Bank of England, in consideration of the profit which it could derive from its monopoly of the sale of rupees under the scheme, should undertake to re-purchase at a penny below the fixed rate any rupees that might be offered for conversion into sterling. To enable it the more readily to do this, Mr. Lindsay suggests that the Bank should devote the sum of about 5,000,000*l.* held in the issue department, in order, as explained by Sir Robert Peel, to "give

"facilities for rectifying our exchange with India," to its legitimate purpose, by treating it as a fund to be utilised in the purchase and re-sale of silver in connection with the conversion part of the scheme. The *modus operandi* of conversion would be that the Indian mints would be prepared to purchase rupees tendered for the purpose, by granting drafts on the Issue Department of the Bank of England at the rate named, *i.e.*, a penny below the fixed Council Bills rate, the rupees thus re-purchased being re-saleable at a corresponding profit on the revival of the demand for Council Bills; and the writer further suggests that, with a view of obviating the transfer and re-transfer of silver coin between this country and the Issue Department of the Bank, the Bank Act might be amended so as to admit of the silver portion of the note reserve being held in the Indian mints. Such a change, he adds, would be independently beneficial to the London money market, by enabling the Indian banks during pressure in England to place large sums in silver in the Indian mints at the disposal of the Bank of England, and thus set free a corresponding amount of gold in London that could not otherwise be used as loanable capital.

Under this scheme, the difference between the price obtained for Council Bills and that paid for the bullion to be coined would be the seignorage earned by the Indian mints, or rather the profit of the State, and it would, of course be increased by any further fall in the price of silver that might occur after the fixing of the rate; while the difference of a penny between the price at which rupees would be accepted for the conversion into sterling and that at which they would be re-sold, would be the remuneration of the Bank of England. As we have said, the special feature of the scheme is the provision for the conversion of rupees into sterling on occasion. It would cost nothing excepting in the highly improbable case of rupees becoming permanently redundant, and, such being the case, it would, no doubt, be worth adopting, for the sake of the additional security it would afford; but we are of opinion that in practice the probability of rupees becoming redundant and seeking export would be remote. The scheme would hold out no temptation to the banks to purchase bills largely in excess of current trade demands and so to cause a redundant coinage of rupees, and any such violent and extensive oscillations in the trade demand as would lead to the ejection of rupees once absorbed, in such quantities as to make it worth while to export them at a penny under the fixed rate, are highly improbable, while, as to the fear of a permanent inversion of the balance of trade, we believe that, as far as the near future is concerned, it is wholly chimerical. The only way that we can see in which the fixing of the gold price of the rupee—provided, of course, that no attempt were made to raise it suddenly above the level to which local prices generally have adjusted themselves—would exert a markedly adverse effect on the balance of trade, would be by giving some small temporary advantage to silver standard countries which compete with us in our export trade. But we are convinced that any slight check to our export trade which might arise from this cause would be far more than counterbalanced by the effects of the increased stimulus which a stable exchange would impart to investment in India.

SPEECH by Mr. JAMES MACKAY, at the MEETING of the INDIAN CURRENCY ASSOCIATION, in the TOWN HALL, CALCUTTA, 13th July 1892, to which Mr. Thorburn referred in his Evidence, Qs. 366, &c.

The Honourable James Mackay, of Messrs. Mackinnon, Mackenzie, & Co., the President of the Association, in opening the proceedings said—

Gentlemen, a period of four weeks has elapsed since the Indian Currency Association launched itself, its aims, and objects, upon the world, and I am happy to say that we have no reason to complain of the support which we have so far received. The memorial to Parliament has already been numerously subscribed by representatives of all branches of commerce and trade, all the professions, services, and many leading Native noblemen and gentlemen.

CONSISTENCY.

Gentlemen, I am averse to taking up your time with remarks on a subject personal to myself, but, when you hear what I have to say, I hope you will consider that in the interests of the cause which I advocate I am justified in detaining you a moment. In its issue of 21st June, a Calcutta weekly paper accuses me of a change of front on this currency question, and in support of its statement it quotes from my address to the Chamber of Commerce of 9th February 1891, on the fluctuations in exchange, the following words: "I "am not by any means qualified to suggest a remedy," but it omits the remainder of the sentence which was, "but, if it is found impracticable to bring about com- "parative fixity in the relative values of gold and "silver, perhaps some way might be found to continue "our silver currency but to give it a gold standard." Then, in quoting from my address to the Chamber of 26th February 1892 on the same subject, the paper reports me of having said, "for my own part I am not "well enough up in the great currency question to be "capable of expressing an opinion," but it leaves out the remainder of the sentence, which was, "but I must "confess to a feeling that in India we are needlessly "selling our produce and our labour for a metal which "is rapidly losing its value all over the world, and I "see no reason why this country should not be as "prosperous, and its trade as active, were we to insist "on being paid in gold instead of in silver as the "Western nations do."

I will leave you to judge between the fairness of the newspaper and my consistency.

OPPOSITE OPINIONS.

Gentlemen, when the Currency Association was first started, I stated that we would welcome the opinions of those who held views differing from our own, and that we would answer their arguments when the proper time arrived. Well, four weeks having elapsed since the publication of our memorial, there has been ample time now for hostile criticism, but of this we have really seen very little, and I am glad to say any that has appeared, almost without exception, has been perfectly fair, and has been written in the best possible taste and spirit.

In some quarters, views contrary to those which we hold have been expressed, and these I shall endeavour to answer. In other quarters we have been told that we have not made it sufficiently clear how the gold standard, which we advocate, failing the remedy of international concert for the free use of silver, is to be introduced, or how it is to be maintained, and on these points I shall also speak to-day.

THE WHEAT TRADE.

One newspaper, a leading and respected paper, tells us that to take up the petition in detail would occupy too much time, and that it must, therefore, confine its attention to one or two of its accuracies. We are then told that we are wrong when we assert that the exporter is no gainer by a low exchange, because we have overlooked that the supply from silver-using countries is not the only factor in determining the gold price. The newspaper admits that where a commodity is mainly supplied from silver-using countries there is a tendency to lower the gold price in proportion to the fall in exchange; but it proceeds to say that in the case of the majority of India's exports other factors must be considered. But, Gentlemen, though this newspaper speaks of the majority of India's exports, it mentions only one, and that one is wheat. It tells us that, if there should happen to be a good wheat harvest in Russia and America, India's wheat export will be reduced by a high rate of exchange, that the ryot will be less prosperous, the railway receipts will be diminished, the Government will suffer, and the English manufacturer will have the demand for his products reduced in consequence of the poverty of the ryot.

Gentlemen, a good deal of sentiment exists on the subject of our Indian wheat trade and its competition with American and Russian wheat in the markets of Europe, and there is a not unnatural disposition to avoid doing anything which might have the effect of shutting out Indian wheat from European markets.

But on this subject I would like to quote from a letter addressed to me by Mr. Bell-Irving, of Messrs. Jardine, Skinner, & Co., a gentleman largely interested in the commercial prosperity of India. Mr. Bell-Irving writes: "That an exchange of 1*s.* 6*d.* per rupee "would permanently curtail the export of grain, seed, "cotton, jute, &c., &c., I do not for a moment believe; "sooner or later the surplus stocks over and above "India's internal requirements would find their way to "the seaboard; and, if India with her cheap labour "cannot with an exchange of 1*s.* 6*d.* compete success- "fully with other producing countries with a gold

" standard, her outlook, from a mercantile point of " view, is far from bright."

Gentlemen, I agree in these remarks, and I think, if you will look at the returns of the wheat trade of India, you will find that it has risen and fallen in relation to the harvests in America, Europe, and India, and has not been affected by exchange.

How often in our own experience have we seen ocean freights at 40*s.*, exchange at 1*s.* 8*d.*, and an active export of wheat proceeding; while at other times, with 1*s.* 5*d.* exchange and freights at 20*s.*, scarcely a bushel could be placed on the European market?

But, Gentlemen, the reference to the wheat trade is inappropriate. The circumstances of last year were so abnormal that it is to be hoped they may not recur for a generation at least. But for the accident that the United States and India had had abundant crops, there would have been a famine of intensity all over Europe. Indian wheat was in demand, and it would have gone forward whether exchange was high or low, and the rupee price paid to the cultivator would have been the same. If you exclude 1891–92, when the European demand was altogether abnormal and unprecedented, you will find that the exports of wheat from India were larger in 1881–82, when exchange was about 1*s.* 8*d.*, than in any of the last five years.

They were also larger in 1883–84, and in 1885–86, and in 1886–87, when exchange was at 1*s.* 7½*d.*, 1*s.* 6½*d.*, and 1*s.* 5½*d.*, than they have been since with exchange ruling at lower rates.

The following have been the wheat exports from India for the past eleven years in tons:—

	Tons.
1881–82	993,176
1882–83	707,202
1883–84	1,047,824
1884–85	791,538
1885–86	1,053,025
1886–87	1,113,166
1887–88	676,908
1888–89	880,504
1889–90	689,961
1890–91	716,024
1891–92	1,515,349

Then, Gentlemen, that a low rupee does not give larger returns to the cultivators is plain from the recorded course of prices of wheat at Calcutta and Bombay.

Taking the price of 1873 as representing 100, the course of values has been as follows:—

——	Calcutta.	Bombay.
1873	100	100
1880	91	115
1885	72	74
1890	81	84
1892	103	103

We know well that the increase of 3 per cent. in the price this year is not due to the low rupee.

The wheat trade has benefited mainly from the facts that railways, steamers, and the Suez Canal have enabled us to enter markets which twenty years ago were absolutely closed.

Volume of Trade.

It is said in "Capital" that trade has flourished on a low rupee, and in support of the statement it is pointed out that in fifteen years—the editor tells us that he declines to go back twenty years, being content with fifteen—trade has nearly doubled. Well, I think it would have been better if he had gone back twenty years, for the fall in the gold value of silver began twenty years ago. I will do what he has not done, and I will go farther back still, to twenty-five years ago. I will not go back thirty years. If I did, my case would be apparently stronger, but only apparently, for thirty years ago was the time of the American war, and it might be said that I was comparing a period of abnormal trade with a period of normal trade. Now, the editor of the paper to which I am referring compares the trade of the first year of his period of fifteen years with that of the last year. Such a comparison is insufficient, for the conditions in one or other of the years may have been exceptional, and a correct view of the progress made can be obtained only by looking at the figures over the whole of the considerable period involved. This is what I propose to do. Now, I will divide my twenty-five years into five series of five years each, so that there shall be no exceptional element such as often arises in dealing with a single year, and I will give you the aggregate of the trade of each series of five years. These are the figures:—

	Rx.
1. From 1867–68 to 1871–72	511,748,986
2. From 1872–73 to 1876–77	510,254,849
3. From 1877–78 to 1881–82	639,729,342
4. From 1882–83 to 1886–87	781,381,420
5. From 1887–88 to 1891–92	933,997,417

You will say at once that this is a clear view of progress. So it is, but, if the trade of India had not made progress, it would have been a bad look-out for all of us. But mark the rate of progress: in the second of these periods of five years—a period which was marked by the sudden commencement of the depreciation from which we are suffering—there was no progress as compared with the first five years, there was a decline. Then, comparing the third period with the second, the fourth with the third, and the fifth with the fourth, we find the rate of advance to be as follows:—

2nd period	0·3 per cent.	decline.
3rd ,,	25·35 ,,	increase.
4th ,,	22·14 ,,	,,
5th ,,	19·53 ,,	,,

Thus the first fall in the gold value of the rupee was accompanied by a restriction of trade values. Prices having adjusted themselves, trade began again to move on, but in each succeeding period *at a slower rate of progress*. This is the point I wish to impress upon you. I say that, but for the conditions of our currency system, the rate of progress might have been more rapid. As between the last of these periods and the first of them the whole increase has been 82·5 per cent., and if, instead of taking the increase by periods I take the first and the last years (1867–68 and 1891–92), the rate of increase is 95·7 per cent., say 96 per cent., which is equal to an annual average of 3·84 per cent. That is the most that we can claim in twenty-five years, even on the method adopted by "Capital." Well, a rate of less than 4 per cent. annually is not much of an increase; I believe that it may be taken to be the normal rate of increase in any country which possesses fully developed facilities for trade, but it is a small rate of increase for a country which is in process of being furnished with such facilities. You must remember that unless a country is going backward altogether the rate of increase must be materially larger than the rate of increase in the population. Our population has increased at the rate of 2 per cent., annually, taking into account the new territories added to the empire in the last twenty-five years, and some of the increase of trade must be attributed to that.

It should also be borne in mind that this has been a period during which we have been year after year increasing our facilities for trade, or indeed I might say creating facilities where none existed before. Five-and-twenty years ago not four thousand miles of railway had been laid in India. In the interval we have exchanged sailing vessels going round the Cape for steamers going through the Suez Canal. And yet, while this revolution has been in operation, creating new and more favourable conditions for progress each year, our actual progress has been no greater, rather less, than might have been expected if the conditions had been previously existent; and moreover the progress is being made with diminishing speed.

Trade of Calcutta.

But, Gentlemen, what better evidence can you have that the trade of Calcutta at any rate has not advanced by leaps and bounds than is to be found at your very door. Fifteen years ago it was expected that the trade of your port would make such strides that docks would be necessary to give it accommodation, and a dock accordingly has been built, and what is the result? It is now found that the jetties, which have not been added to for the past ten years, are sufficient to meet your trade requirements. You consequently have the anomalous spectacle of a dock which has cost three crores of rupees, provided with all the best appliances for the rapid discharge and intake of cargo, with sheds unequalled for their convenience and capacity by any in the world, connected by railway with all parts of India, lying vacant and unemployed, evidently built in advance of its time. Let India's currency now be

put on a permanently stable and moderate basis, and I venture to predict that a few years hence you will find the dock at Kidderpore filled to the limit of its capacity, while an irresistible cry will be heard for the construction of dock number two.

Indigo and Tea Prices.

The "Times of India" says that the indigo and tea planters, and the Bombay millowners, may have something to say about compensations. Well, the planters know what they are about, and they know what has happened to their tea and indigo in the European markets; what has happened is evident from the prices of tea and indigo in Calcutta. Taking, as in the case of wheat, the average in 1873 as equal to 100, these are the variations:—

—	Tea (good Souchong).	Indigo (good).
1870	—	121
1873	100	100
1880	82	112
1885	55	103
1890	50	86
1892	41	74

Some tea people will tell you that the fall in the price of tea is due to over-production, not to low exchange. But can they point to any glut of markets in support of this theory? Or can they say that low exchange has done anything to keep up prices?

Bombay Mills.

And how about the Bombay millowners? Taking the price of No. 20s yarns in 1874 (we have no record of 1873) to be 100, these are the prices:—

1874	100
1880	81
1885	72
1890	74
1892	65

Where is the compensation?

Gentlemen, the granaries of India will not become African deserts, nor will the flavour of China tea be preferred to that of Indian, though we insist on our produce being paid for in gold. If it be to the advantage of India's wheat-growing districts that the country should continue to have its currency on a silver basis, why does wheat-growing America not adopt a silver standard too? The manufacturers of England do not find that they have it all their own way as they used to have; they are closely pressed by the competition of other countries, such as Belgium, Germany, and America. If the silver standard is such an advantage where competition comes in, why does England not adopt it?

Our Monopolies.

Then, Gentlemen, the newspaper to which I refer admits that, in the case of commodities supplied mainly from India, the gold price is lowered in proportion to the fall in exchange, and presumably the converse will also hold good. What, then, about our indigo, our jute, our rice, our numerous other products which India practically alone supplies? Are we to continue to give these away for a metal which is falling in value every day, because some men in India continue to hold a theory that our silver standard gives us an advantage over America with her gold one?

Prospects of Silver.

Gentlemen, the same newspaper to which I have been referring denies our statement that silver, left to itself, may fall to any level below a shilling. It says: "But we question if much silver could be produced at "the equivalent of tenpence exchange. Natural causes "would operate long before that point could be "reached. In fact, even with the low price now "ruling, there are mines unable to work at a profit."

Now, the cost of producing silver is but a small factor in the determination of its gold value. Even the supply is not a relatively large factor in the determination of the gold value: what chiefly determines the value is the demand, and the demand for silver, unlike the demand for gold, which is extensively consumed in the arts, is almost entirely for currency. The decreasing demand for silver for currency (outside of the United States and India) during the last twenty years has driven down its gold value by 33 per cent., but the reduction in demand has had no effect on the supply. On the contrary, as the demand has declined, so has the supply increased. In the last fourteen years the production has almost exactly doubled. In 1878 the production of the world was 73,476,000 ounces; in 1891 it was 140,865,000 ounces. Nor can it be said that the production fluctuates, rising and falling with the rise and fall of the gold value. During these fourteen years there has been a steady increase year by year, with one exception in 1884, and it would seem that whenever the gold value fell heavily the production was stimulated. To anyone who reflects on the matter this is not surprising. If a mineowner sees the gold value of his silver rapidly depreciating, it is natural that he should hasten to get out as much as possible, so as to get rid of the metal before the depreciation becomes more acute and his profit smaller. Silver holders, other than mineowners, do the same thing. They thus aggravate the depreciation, but the consideration to each of them is that if he does not put his silver on the market another man will be before him and will take away his profit. A falling gold value is thus followed by increased production, and increased production, when there is a falling demand, is followed by a falling gold value.

Cost of producing Silver.

Where, then, is the process to stop? The "Times of India" says, long before an exchange value of 10*d.* is reached. We may ask, how long? The present exchange value is about 15½*d.*, with the gold price of silver at about 40*d.* In his evidence before the Royal Commission on Gold and Silver, Mr. Pixley said the mines would shut down when the price reached 42*d.*, because they could not then work at a profit. But the mines have not shut down when the price is materially below that figure, and instead of shutting down they are increasing their output.

It was held at the time that Mr. Pixley was mistaken, for Professor Roberts Austen, F.R.S., Chemist and Assayer to the Mint and Professor at the Royal School of Mines, contradicted Mr. Pixley's evidence, and stated the facts as follows:—

(1.) Silver may be extracted from gold as a by-product at a cost of 2½*d.* per ounce.
(2.) Silver is separated from lead in the American mines at a cost of 24*d.* per ounce, and that is also the cost of the operation in the European lead mines.
(3.) Silver is separated from copper at a cost of 23*d.* per ounce.
(4.) Silver is refined from silver ore in any typical American mine at a cost of 12*d.* per ounce.
(5.) The mean cost of the production of silver by these four different methods may be taken at 20*d.* per ounce.

Now, if the rupee is worth less than 16*d.* when the gold price of silver is 40*d.* per ounce, it is not difficult to see that its exchange value at 20*d.* per ounce will be less than 8*d.*

In a recently published work on the Future of Silver, by Dr. Suess, a distinguished German geologist, he places the average cost of production at 50 cents per ounce; there is a margin between this and the 90 cents which is the present market value in New York. If the price fell by one-third there would still be a fair profit, and a fall of one-third in the exchange value of the rupee would bring it down to between 10*d.* and 10½*d.*

I think we may ask at what point "long before 10*d.* is reached" the "Times of India" believes that the gold price of silver will cease to fall. It must be borne in mind that it is a shorter reach from 16*d.* to 10*d.* than it was from 24*d.* to 16*d.*

But, Gentlemen, I would not lay so much stress upon the cost of production or the increase of production as on the decline in demand, and as the demand declines so will the gold price of silver decline, and we are not able to assign any limit to the decline of either.

It is said that the demand will be so stimulated by a fall in price that there must be a recovery, but a fall in price of 33 per cent. has not stimulated the demand, and except for currency the uses of silver are trifling. We have seen from our experience of the last two years that even India has a limited and well-defined capacity for the absorption of silver. Where is the demand to

come from, and on what grounds is it supposed that it will be likely to arise?

Gentlemen, we sometimes hear a reference made to the "natural level of the value" of silver. But the value of silver in the past has been determined by the action of communities and Governments in making it a standard of value; the value of silver in the present is being determined by the action of communities and Governments in rejecting it as a standard of value. For other purposes the use of silver is insignificant, and nothing is clearer than that its value is and always has been determined by legislation. Rejected by legislation as a standard of value the metal has practically little value in itself, and the sooner we get Government to give it as coinage a gold value in India, the better will it be for the country.

The Tea Industry.

Gentlemen, some people interested in tea tell you, when they sell their tea at home, if exchange is low, they are able to buy more rupees with the proceeds, and that the rupees so far satisfy their tea-garden coolies and their managers and assistants just as well at 1*s.* 3*d.* as at 1*s.* 6*d.*, and that, therefore, they rather favour a low rupee. They admit frankly enough that it may be a little hard on the coolie and on the European staff to give them the same number of coins when these coins have declined in value; and they also admit that the time will come, if the rupee goes on depreciating, when the cost of labour and management will be bound to rise. But in the meantime they say it has not done so.

Now, Gentlemen, a mistake is made when it is thought that as good a sterling price is got for tea with exchange at 1*s.* 3*d.* as with exchange at 1*s.* 6*d.* The course of prices proves that such is not the case.

But, even if the sterling price did not decline, and exchange went down to a shilling, and coolies' wages did not rise, and the European staff could be got to work for the same rupee salaries, what about the value of tea property? Suppose a man brings out 10,000*l.* at 1*s.* 6*d.* and puts it into a tea garden; that tea garden costs him a lakh and thirty thousand rupees. He goes merrily on helping the rupee in its downward course, because "it's good for tea," and the rupee goes down to a shilling. By and by the time comes when he has had enough of India, and he wants to gather his assets under his own eye in England, and he sells his garden. Now, suppose he gets his own money back again, a lakh and thirty thousand rupees; when he comes to transfer that money to England, instead of his old original 10,000*l.*, he finds he is the happy possessor of only 6,500*l.* Now, Gentlemen, this is what has happened in the past, as numerous indigo and tea planters can tell you, and the sooner the remedy is established the better it will be for everybody.

In some quarters we are told that, if China retains a silver standard while India adopts a gold one, China will get the better of India in tea. Well, Gentlemen, Mr. Bell-Irving, who is largely interested in Indian tea and knows something about China, tells us that it is questionable if the difference of exchange will, in the face of the heavy lekin duties and low range of prices in China, lead to a material increase in tea exports from that country. But, Gentlemen, I would venture to go further than this, and I would say that China's silver standard, after we have adopted a gold one, will materially tend to drive her tea lands out of cultivation altogether, for this reason, that the value of the silver which she will get in exchange for her tea will not be sufficient to pay for the clothing and food of her labourers.

Falling Exchange merely a Temporary Stimulant.

Gentlemen, I readily admit that a sudden fall in exchange may in some cases give a temporary rise in the price of tea, just as a sudden rise may give a temporary fall, but both effects are temporary, and no authority on political economy (I am not one) will be found to say that this question of exchange has any permanent effect on production. Nor will you find any who will tell you that production depends upon anything beyond comparative costs in different countries. For example, India exports tea and imports piece-goods, because she finds that, by devoting capital and labour to tea, she can produce tea which she can exchange for more piece-goods than she could produce by devoting the same amount of capital and labour to making piece-goods. The advantage which India possesses for the production of tea rather than piece-goods is not in any way affected by exchange, as it depends on soil and climate and cheap labour, and nothing else. Gentlemen, it is as hopeless to expect prosperity from a continually falling exchange as it is to expect health in the human body from continually increasing the use of stimulants. In both cases the reaction must sooner or later come.

Method of adopting Gold Standard.

The "Times of India" again tells us that the public are kept "in ignorance regarding the ways and means "by which the Indian Currency Association hope to "establish a gold standard in India, and that the "preliminary question where and how the gold is to "be obtained has not been answered." Gentlemen, in my remarks on the 13th of last month, I made a brief allusion to ways and means, but it may be an advantage if I now go into these in detail, and this, with your permission, I shall try to do to-day.

It is not considered necessary, nor would it be practicable or suitable, to have only a gold currency in India. The bulk of the payments made are too small to require a gold coinage, and silver, which will continue to form the bulk of the circulation, must, as at present, remain unlimited legal tender.

To establish a gold currency in India, and to limit the legal tender of silver to, say, Rs. 20, it would be necessary to withdraw a large amount of silver from circulation and to replace it with gold, an operation which it would be impossible for this country to embark upon owing to its costliness. But, as I have said before, even if the cost were not prohibitory, the scheme is both unsuitable and unnecessary. What we want in India is a silver currency with unlimited legal tender, but with a gold standard fixed by the Government. France, for example, has a silver currency of five-franc pieces with unlimited legal tender, but with a gold standard of value for each coin equal to a fourth of a Napoleon. Java, too, has silver guilders, with a gold standard of value of the twelfth part of an English sovereign, and in both these countries, as well as in several others, the silver coins are freely exchangeable for gold coins practically at par. The same system exists in the other countries forming the Latin Union. It has also been adopted in Japan.

The steps to be taken by the Government of India to establish the gold standard will be to settle the rate, to close the mints to the free coinage of silver, and at the same time to declare the standard. They will then have to open the mints to the free coinage of gold in pieces of 10 and 20 rupees each, and declare these coins to be legal tender. As regards the rate at which the gold standard should be fixed, that, of course, is a matter for the careful consideration of Government, but at the present moment I should say, as I said before, that a rate of 1*s.* 6*d.* would probably be found to be the best, all things and all interests considered. In discussing the matter with an old friend here, a broker in exchange, I was told that it would be a risky thing to empower the Government to fix a gold standard for the currency of India, because they might adopt the rate of 2*s.*, and thereby dislocate trade and ruin the revenue. But this argument possesses no real force, as, even if they desired to do anything so foolish, the Government of India, after all, are subject to the control of Parliament and public opinion, and I think my friend's objection may with safety be set aside.

Instead, then, of the banks and the public purchasing silver for gold in England and bringing it out to this country as now, they will bring their gold to India and buy rupees either from the Government or from any one else who is willing to sell them. To facilitate the ready interchange of gold for silver and silver for gold, Government, as I have said, will require to coin gold for the public free of charge into coins of a value of 10 rupees or 15*s.* each and 20 rupees or 30*s.* each, and, at the same time, they will doubtless declare the English and Australian sovereign to be a legal tender for 13⅓ rupees.

Then, Gentlemen, later on, in order that the gold standard may be effectively maintained, and to prevent those who want gold for silver being overcharged by the money changers, it will be necessary for Government to be prepared to give gold coins in exchange for silver without premium at the various treasuries throughout the country as required, and this of course they will eventually arrange to do. Until this is introduced the gold standard will not be thoroughly effective, and occasionally the value of the rupee in relation to gold may be something less than the standard fixed; but the fluctuations will be very slight

indeed, and it will take but a short time to establish the sterling value of the rupee on a permanent basis. We never hear of the five-franc piece in France fluctuating in its gold value, though that country has a large number in circulation and legal tender to any extent, and in India it will take but a short time to place the rupee in the same position.

Amount of Gold required.

The "Times of India" tells its readers that a gold standard for India would be too costly, and it inquires, "Where is the gold to come from?" Gentlemen, some grave misapprehension must have led to this remark and inquiry. If the Government were to accumulate a sufficient stock of gold with which to start operations, it would, of course, be necessary to raise a sterling loan. But this process will not be adopted. The mints, as I have said before, will be closed to the free coinage of silver, and gold instead of silver will have to be imported by the banks and made over to Government in exchange for silver currency. The process of accumulation will be gradual, and will probably cost the Government little or nothing.

Silver Hoards.

The question of rupees coming out of hoards, and getting into circulation when the gold standard is established, is one that has to be considered, and Government must be prepared to face it. It is not possible to predict with certainty whether rupees will come out of hoards in large numbers or not, but there is no reason to think that they will. If they do, no doubt it will take longer to establish the free exchangeability of gold and silver, but apart from this there will be no inconvenience. It will be the business of the Government of India, as it is the business of the Government of France and of other countries with a gold standard, to regulate the currency in circulation so as to maintain the equilibrium. For instance, if it were found that gold was not readily exchangeable for silver, that would show that there was too much silver in circulation, and the amount would require to be reduced, say, by Government raising a loan and locking up the rupees till there was a demand for them.

Practicability of the Scheme.

Gentlemen, I see that my friend, the editor of the "Indian Daily News," says that my remarks, in advocacy of a gold standard for India, remind him very much of a dog baying for the moon, and he proceeds to throw grave doubts on the practicability of the scheme. Well, gentlemen, all that the Currency Association wish to see established in India is what is actually in operation in France and the other countries of the Latin Union, and what has been successfully in operation there for 20 years, where silver is full legal tender and has circulated side by side with gold, which has been the standard since the free coinage of silver was suspended in 1873. Although the silver is largely overvalued, no difficulty has been found in maintaining the circulation of gold. So successfully has the system been maintained that France is able to regard with tranquillity the prospect that the obstruction of England will prevent the restoration of the more perfect system which prevailed before 1873.

Bagehot's Objection on account of False Coining.

Gentlemen, the proposal to introduce a gold standard into India is not new. It was suggested as far back as 1876, and, if you will refer to the "Economist" of 11th November of that year, you will find the proposal discussed and condemned by Mr. Bagehot, chiefly because "a currency of silver coins circulating much above "their cost value would be likely to cause their for-"gery." The "Economist" of that date then states that "this is as certain as that a high tariff will cause "smuggling"; and it proceeds to say: "If silver "should fall enough to make this scheme worth think-"ing of, the gain by coining rupees in India, or im-"porting them into India, would be very great, and "we may depend upon it capital would go into the "business. Some of the shrewdest people in the world "—the American producers of silver—would have an "interest in managing it, and we may be sure they "would manage it. The moral objection to such a cur-"rency is very great, for it is an incessant temptation "to diffuse fraud, and this evil would be fastened on "India for ever."

For these and other reasons the "Economist," writing in November 1876, says: "We cannot think that the "suggested plan for a new Indian Currency would be "a good one, even if it could be shown that silver was "sure to be permanently excessively depreciated. And, "as the preponderating probability seems at present "to be that it will not be so depreciated, we are still "of opinion that it would be unwise to begin a policy "on the face of it, and almost admittedly, so anoma-"lous."

Well, gentlemen, as I stated on a previous occasion, France, with her large circulation of over-valued silver currency of unlimited legal tender has not found herself flooded with forged silver coins, though the temptation she has offered to "the shrewdest people in the "world" is greater than India would offer by the establishment of a gold standard at 1*s.* 6*d.* per rupee. Mr. Bagehot's forecast of the course of the silver market has proved an unfortunate one, silver having fallen since 1876 from 54*d.* to 40*d.* per ounce. I think, gentlemen, the moral objection put forward by the "Economist" may safely be put aside, and I do not apprehend, as the "Economist" did, that capital would go into the false coining business. A few false coins would doubtless be made, but they would do no harm, even if they were so well coined as to escape detection, which I think is doubtful. The coinage of many false coins would require the erection of a mint, the purchase of machinery, and the investment of a good deal of capital. Now, gentlemen, capital as you know is proverbially timid, and, besides all this, no country would allow coins to be manufactured within its limits in imitation of the coins of a foreign country: for example, if any shrewd person were to start coining French five-franc pieces in India he would find that there was a section of the Penal Code applicable to his case. It stands to common sense that there must be a law of this sort in every country; the comity of nations requires it.

The answer to those who advance the false coining danger as an impediment to the gold standard, therefore, is:—

The coining of a few coins would do no perceptible harm.

The coining of many would require a mint, and nobody would be so foolish as to spend his money on such a mint; in the first place because its existence could not be kept secret, and in the second place because the laws of the country in which it was erected would put a stop to it, and probably give the enterprising and ingenious owner from 10 to 20 years' imprisonment.

Alternative Schemes.

Gentlemen, one of the newspapers pronounces the scheme which I have just endeavoured to describe a radically vicious one, inasmuch as it will be practically useless, and will cost money. The same paper states that the scheme would have the effect of forcing the banks to import gold irrespective of the requirements of the country, merely that it may pass through the mints on its way to the stocking or the melting-pot as a preliminary to its being re-exported, and it asserts that the arrangement would be worse than wasteful because it would have the effect of keeping a quantity of gold in limbo, and would thereby tend to a further appreciation of gold, and would consequently aggravate the loss inflicted on India by the fall in sterling prices. The newspaper then tells us that the arrangement proposed is absolutely superfluous since the same object might be attained by levying a seignorage on a sliding scale on the coinage of the silver imported by the banks.

Hoarding of Gold.

I must confess, gentlemen, that I am unable to follow the newspaper in the objections taken. In the first place, if people want to put gold into a stocking or to re-export it, they can do either of these things just as easily while India has no gold standard as they will be able to do after her gold standard is effectively established. In fact, the continuous appreciation of gold which goes on under the present system gives people an inducement to hoard gold, which would cease to exist under the proposed arrangement. If a man desires to hoard one of the precious metals now, he naturally prefers gold to silver, for he calculates that the gold piece which he buys to-day for, say, 15 rupees, will probably be worth 17, 18, or 20, when necessity requires that he should again part with it. When the relative values of gold and silver in India are fixed, the incentive to the hoarding of gold will be diminished, and it is even

probable that some proportion of the existing hoards may come into circulation.

Appreciation of Gold.

As regards the argument that the withdrawal from the Western nations by India of a quantity of gold would have the effect of reducing sterling prices still further, and thereby aggravating India's loss, I think that a slight fall in gold prices would not be an unmitigated evil. The appreciation of gold which would result from India having her fair share of it might tend to reduce the price of English manufactures, English machinery, railway plant, &c., but it seems to me that such a reduction would be to the benefit and not to the injury of India.

But the fact is, Gentlemen, that we are to have silver currency to a very large extent, and we shall want comparatively little gold, and consequently our demand on the stock of gold in the world will be trifling, and will produce no appreciable effect on gold prices. For instance, we shall want less than Austro-Hungary, and our demand will come gradually on the market, and when the standard has once been established the extra yearly demand will probably be less than the quantity of gold which is being produced by the Indian mines alone.

Quantity of Gold required.

Gentlemen, it is estimated that the gold standard can be effectively maintained in India by Government holding a reserve of fifteen millions of gold, and I am not at all sure but that the adoption of a gold standard by India will do much to stay the appreciation of that metal. There are a good many evidences that the people of India are beginning to waken up to the fact that the rupee is not what it once was, and this is not to be wondered at if you reflect on the circumstances. The native who, twenty years ago, bought a gold mohur for sixteen rupees and stowed it away, has realised that he can only get one now for twenty-three; and, if you will look at the imports of gold into India for the last few years, you will find that they have been increasing. For the period of three years ending 31st March 1889 the gold imports were under eight crores, while for the period of three years ending 31st March 1892 they were over ten.

Natives beginning to distrust Silver.

If distrust of the rupee once takes possession of the minds of the natives, as you may be sure it eventually will do when they realise that it has lost half its old value in relation to gold, we shall see an increase in the importation of gold into India for hoarding purposes, which will do more to appreciate the value of that metal than the establishment of a gold standard. With the gold value of the rupee fixed once and for ever, the distrust of silver which is now appearing would vanish, and the hoarding of rupees would probably continue or be resumed, and the hoarding of gold would probably not increase. It appears to me, therefore, that it is as much in the interests of those who hold monometallist views in England as in the interests of India that a gold standard should be adopted without delay for the silver coinage of this country.

Seignorage on Silver.

As to a seignorage on a sliding scale being levied by Government on the coinage of silver, such an arrangement would, so far as I am able to understand the proposal, be unworkable. With the daily fluctuations in the value of silver the seignorage would have to be altered daily to establish the rupee at a fixed sterling value, and the complaints to which such a shifty arrangement would give rise would prevent any Government from attempting to undertake it.

Contraction of Coinage.

Gentlemen, I have heard it objected that the proposed gold standard will involve an inconvenient contraction of our coinage, and that rates of interest and discount will rise, but this will not be the case. We shall have no more contraction of coinage than is to be found in all countries with a gold standard. As regards the rates of interest and discount, these depend on the demand and supply of capital, and have nothing to do with currency. On this point you will find that all economists are agreed.

No Profits in Business.

Gentlemen, my experience of Calcutta dates back a little under twenty years, while that of a number here goes back much further, but I will confine my retrospect to the last 19 years. Well, if you will look at the names of the European mercantile firms which were in Calcutta 19 years ago, you will find that out of 83 as many as 36 are now out of existence, that number having either failed, or wound up because they found business unprofitable. And research will also show you that at least 20 other European mercantile firms have appeared and disappeared in Calcutta within the past 19 years. Again, Gentlemen, can you give me the names of twenty men who have retired from Calcutta in the past twenty years having made a competency, not to say a fortune, in doing a general import and export business? I venture to think you cannot. Now this is Calcutta's record, and, from what I know of Bombay, I think that if inquiries were made there her result would be found to be no better. Now, Gentlemen, all this means a considerable loss of money, and I would be afraid to estimate what the exchange banks alone have gone out in the past twenty years through mercantile failures in India, but the figures must, I think, be pretty large.

For my own part, it was not a desire for change of air that brought me to India, nor is it the salubrious climate that keeps me here, and I fail to see wherein the merchant's advantage rests if he not only makes no money, but loses his capital into the bargain. The fluctuations in exchange, I was told by two of the leading bank managers in Calcutta the other day, have accounted for many of the failures in India within the past few years. They both also remarked to me (they are here now and can bear me out) that it would be in the interests of Eastern banks if a stable exchange, such as they have in Australia or Java, could be secured, an exchange which does not fluctuate more than one per cent. or so in a year.

English Investments in Rupee Securities.

Gentlemen, one man tells us that Indian rupee securities are favourite stocks at home. Now, Gentlemen, how can this be? It is true that a considerable amount of rupee paper is held in England, but look at the shrinkage in value it has undergone in the past 20 years. In 1873 4 per cent rupee paper stood in London at 96, while to-day its price is 69, roughly a fall of 33 per cent. Many of the people who held it 20 years ago probably hold it still, dreading to face the loss. As regards the English holding of rupee paper being on the increase, it is true that there was a considerable amount purchased in England in 1890, but this was a speculation in silver. That people in England have again got sick of silver securities may be judged by the fact that, within the past three months, no less than 100 lakhs of paper have been returned to this country. I see the same gentleman, in his pamphlet, says that the assurance companies in Britain are now investing freely in Indian rupee paper. Well, I can speak for one of them with some authority, and I can say that it has lately adopted just the contrary course.

Recent Increase of Taxation.

Gentlemen, one of the newspapers, in noticing our petition, writes as follows:—

"If the 'loss by exchange,' which causes more rupees to be paid for the home charges, also tends to make India as a whole—we do not refer to salaried officials merely—more prosperous, it surely largely minimises if it does not eliminate the 'loss on exchange.' This is a point which the promoters of the Indian Currency Association have evidently overlooked. The Viceroy also, at the last St. Andrew's dinner, referred specially to the 'elasticity of the revenue' which was coincident with a low exchange, and did not despair of making both ends meet without additional taxation. This view was corroborated by the figures in the recently published Budget Statements.

"We have a large and increasing foreign trade; our railway returns are extremely satisfactory; we have had little wars thrust upon us; we have done much by way of adding to our defences. . . . All this has been done without any increase of taxation, and it has been accomplished under a low rupee."

Now, gentlemen, if the loss by exchange made the country prosperous and only made some officials poorer, the case would be one calling for nothing more than compensation of some kind to the suffering officials. But it does not make the country prosperous. It is true

that the Viceroy spoke seven months ago of an elastic revenue, and it is also true that the Budget was framed to make ends meet without additional taxation. But I scarcely think that His Excellency meant, as the newspaper evidently supposes, that the revenue was elastic in consequence of the fall of exchange.

Increased Taxation.

As for the statement made by the newspaper that we have done a variety of things without additional taxation and with a low rupee, well, gentlemen, here is our record. Since 1886—just six years—we have had, first the income tax, next an increase of 20 per cent. in the import duty on spirits, next an import duty on petroleum, and next an increase of 25 per cent. in the salt tax. These additions to our burdens last year alone resulted in the transfer of almost four crores of rupees from the taxpayer to the State, and yet the "Times of India" tells its readers that, notwithstanding the low rupee, we have done many exemplary things "without "any increase of taxation."

But the rupee has gone lower since the said taxation was imposed to meet the additional expenses of administration, and two crores have, within the past three years, been added to the burden, which in all probability will be further increased before the end of the year. The additional expenditure must be met, and how? The country is already heavily taxed. Will the "Times of India" say from what sources further revenues are to be derived?

War Rate of Taxation.

Some people say we do not want any remedy; we want the rupee left alone, we want silver to find its natural level; they point to our increased volume of trade, and they honestly believe it has resulted from our depreciated currency. But, if it be necessary to have a depreciating currency to increase the volume of a country's trade, how is it that England, France, America, and many other nations with an immoveable gold standard, have been able to make steady progress, even although, with the exception of England, their progress has been impeded by protective tariffs. Mr. Pixley told us some years ago that the silver supply would stop when the price came to 42*d.* per ounce, but instead of stopping it has increased. New and cheaper chemical processes for extracting silver are being discovered every year, and, as I have said before, a high authority has put the cost of producing silver now at something little over 20*d.* per ounce, or 8*d.* per rupee. If 8*d.* per rupee proves to be the natural level of silver, and if the rupee is left alone till that figure is reached, our Home charges will then stand at something like 36 crores instead of 24, as at present, or an increase of 12 crores, assuming that there will be no increase in the actual Home charges meanwhile. The change in the emoluments of the Europeans in the public services which will be forced upon us if the rupee goes much lower will add another eight or ten crores to the cost of administration. Now, gentlemen, where is the money to come from? Your land revenue will increase but slowly. Your opium is not likely to give much more. Salt might yield an additional crore or two if the tax were increased; stamps might yield another crore in the course of a few years; customs might yield another crore if the import duties were re-imposed: incomes would scarcely yield another crore and a half if the income tax were doubled, because there would be few incomes left; but here you only have five or six crores to meet a certain 20. And to increase taxation even to this extent would be in effect to impose a war rate in time of peace, and of what ought to be progress accompanied by the remission of taxation. Supposing these increases of taxation made in time of peace, where shall we find resources to meet the cost of war if that should come upon us, as it may do any day.

Aims of Association.

Gentlemen, our true remedy is an international agreement for the free coinage of silver and gold at a fixed ratio, but that seems almost impossible to bring about. Failing that, the only remedy, so far as we can see, is the introduction of a gold standard for our coinage, and, believing in its efficacy as we do, our object, failing international agreement regarding silver, is to press for its adoption. To help to forward this object the Currency Association will send its petition to Parliament. The petition may do good or it may not, but nothing is got without an effort, and I am hopeful that the fair-mindedness of the English people will come to our rescue, and that, when all the facts of the case are before them, if they will not alter *their* currency to suit *us*, they will at least allow us to reform *our* currency to suit ourselves.

Now or Never.

Gentlemen, I have been told by an old friend—I see him here—that it is now too late to think of establishing a gold standard for India, that the time for this went by many years ago. Gentlemen, I admit that the time for attempting to establish a gold standard of 2*s.* per rupee went by many years ago; but, if many years ago it would have been possible to establish a gold standard of 2*s.* for the rupee, it is surely just as possible to-day to establish a gold standard of 1*s.* 6*d.* If a gold standard is not established now when 1*s.* 6*d.* is feasible, then, gentlemen, when is it to be established? Are we to continue to wait and let things drift, as the Government did 20 years ago and as they have done ever since, till the rupee is worth 10*d.*, or probably less than that? Are we to continue to be blinded by the sophistries of those who, doing an export business and operating for the fall, tell us that the prosperity of India depends on cheap silver? Gentlemen, let India have cheap silver by all means, but not a degraded coinage which no other civilised country in the world will look at. Let us fix a gold standard for our currency now or never, and then let silver as a metal go to 20*d.* an ounce, as it probably will do when we close our mints. Then, gentlemen, the wish of those who say that cheap silver is an advantage to the natives who use it for ornaments will be gratified, and we shall see it availed of not only for bangles and anklets, as at present, but for cooking pots, drinking vessels, and sundry other domestic requirements.

The Balance of Trade.

One friend has expressed himself afraid of the trade balance going against India if we fix our exchange at 1*s.* 6*d.*, because the appreciation of gold might lower the price of our produce in Europe. But, gentlemen, if the price of our produce dropped in Europe, the price of European manufactures would drop correspondingly, and the trade balance in favour of India would be maintained. But, suppose the trade balance were to go against us in the present day, to what country could we export silver? Who would take it?

A Common Standard.

Gentlemen, none of the recognised authorities on political economy will tell you that the rise or fall in the price of silver does in itself, in the long run, affect either exports or imports, and, I think, no one in Calcutta will deny that the great fluctuations in exchange are a serious hindrance to trade, commerce, and financial transactions between England and India. What we require is a common standard of value between the two countries. There may be a difference of opinion as to how that common standard is to be attained, but as to its desirability there can be no dispute.

The Doctor's Remedy.

I notice one man, in writing to the "Englishman" of 1st July, suggests that exchange might be elevated to 1*s.* 9*d.* by raising a loan in England of 66 millions sterling. With this amount he would pay the home charges for three years and wipe off the Indian loans. As it happens, the home charges are not 22 millions sterling. For the current year they are 16 millions sterling. This, however, is a question of detail; the Indian silver debt would be cleared off in four years, not in three. At the end of four years India's total indebtedness would then be 160 millions sterling. This arrangement, we are told, would raise exchange to 1*s.* 9*d.*, and would give breathing time to enable us to get our house in order. I rather think the "Englishman's" correspondent must be somebody who has retirement with his savings in view, and who would like to put his house in order at 1*s.* 9*d.* exchange. The arrangement, if we could induce a confiding British public to lend us 66 millions sterling, would suit me as well as the correspondent, as I, too, would get home my few hundred rupees at a decent exchange; but what about the Government and the people who come after us? And at what rate do you suppose could the Secretary of State borrow between 60 and 70 millions sterling? Probably at not less than 4 per cent., perhaps at 5; perhaps not at all! The interest would

be between 2½ and 3 millions sterling yearly, and at the end of the four years this amount would have to be added to the home charges and would sink exchange still lower than it is now. It would be suicidal policy for Government to do anything to increase home charges in the present precarious state of the currency in which they receive their revenue; and the paying off of 102 crores of Indian silver debt in four years would be a serious matter. We know that capital is cheap in India at present, and the addition of 102 crores to it would have an effect we cannot calculate. My belief is that most of this capital would take wings to itself and fly out of the country at the very comfortable exchange of 1*s.* 9*d.*, never to return! I am afraid the tourniquet of our medicine man, while it might suit his own book, would ruin the country's.

Borrowing in Sterling.

Gentlemen, we must look the question of borrowing in sterling plainly in the face. To borrow largely for the purpose of meeting the home charges simply means an alleviation of early burdens, by transferring them. in an aggravated form, to the future. This is a course so full of danger to the country, and so unfair to those who come after us, that I am satisfied it will never be adopted. The proposal to put more silver in the rupee is almost as objectionable as the proposal to borrow in sterling. When you once begin to add to the quantity of silver in the rupees, where are you to stop? Above all, adding to the weight of the rupee will in no way tend to prevent these fluctuations in exchange from which we have all suffered, and from which we must continue to suffer until we have the same standard as the mother country. That, and that alone, is the true remedy for the disease, and quack remedies are worse than useless.

Parliamentary Interest in India.

Gentlemen, you saw in the public telegrams the other day that the Under Secretary of State for India reviewed the divergent opinions on the complex silver question, but suggested no remedy. You also saw that during the discussion on the Indian Budget Statement in the House of Commons as many as six out of the 600 members were present to listen to it. Gentlemen, this is the attention which Indian affairs receive at the hands of the British House of Commons; our complex currency question is alluded to, but no remedy is suggested, and no wonder, when there is no one present to listen.

Two Courses.

To sum up, Gentlemen, the position is this: If the Conference fails to settle an agreement for the extended use of silver as coinage, India has a choice of two courses. She can either continue her present arrangements, or she can stop the free coinage of silver and adopt a gold standard for her currency. The first course will mean that we shall go on for some years longer labouring under the disadvantages of a depreciating rupee; we shall, in fact, continue to serve as the silver sink of the world. The other course will mean that we will take our place among the great nations of the earth with a standard similar to theirs, and that English capital, which is pining for investment and which has hitherto been given to countries like Chili, Peru, the Argentine Republic, Spain, Turkey, Russia, and Egypt, will find an outlet in the English dependency of India. The country in a few years will be covered with a network of railways, and its trade, instead of increasing as it has done for the past 20 years at the rate of something under 4 per cent. per annum, will take far larger strides.

Sinking Petty Differences.

Gentlemen, one or two of my friends have told me that they don't altogether agree with some of the reasons set forth in our petition for the adoption of a gold standard. They think some of our statements might with advantage have been modified, some have not been sufficiently forcibly put, while other good reasons have been omitted altogether. They admit, however, that it would be an almost impossible task to frame a petition on this complex question, every word of which and every statement in which would satisfy everybody. They rightly say that the only way to get something done is to sink all petty differences, to place their signatures to the petition as it stands, and this they intend to do.

Rupees remain Rupees.

I see a letter in the "Englishman" to-day, asking for my opinion on some remarks which are reported to have been made by a gentleman regarding the possibility of being able to discharge a debt of Rs. 18,000 when silver falls to the equivalent of 1*s.* by a payment of Rs. 12,000, after the gold standard has fixed the value of the rupee at 1*s.* 6*d.* Gentlemen, all I can say is that I scarcely believe the learned speaker, if he was so reported, can have been correctly reported, but if he was, his remarks, I think you will find, were intended to have a different meaning.

Position of the Government.

Gentlemen, how often in the past 12 months have we heard men say, in discussing the currency question: "Government must do something; they cannot allow "things to go much further!" We may feel perfectly sure that the Government of India feel the difficulty just as strongly as we do, and that it comes home to them with increasing force year by year and week by week. It is impossible that they should not be alive to the extreme gravity of the situation, or that they should be unprepared with or unready to adopt the remedy, if permitted so to do by the Home authorities.

In these circumstances, therefore, I think, Gentlemen, we ought to give the Government of India all the support in our power, and this we can do to some extent by signing the memorial of the Indian Currency Association. If anything is to be done, it must be done within the next few months. If these are allowed to slip by till the question has become stale, years may elapse again before there is a disposition to tackle it, and it will be more difficult to establish the remedy then than it is to-day.

Gentlemen, I feel that I owe you an apology for detaining you so long on this July night, and I also thank you for the most considerate hearing you have given me, and for the interest you have displayed in the question by turning out in such large numbers to attend this meeting. I have now to propose that "The "Humble Petition of the Indian Currency Association "to the House of Commons be adopted."

Gold Currency for India.

Letter from Mr. C. E. C. Merington, formerly of the Bengal Civil Service, to the Secretary of State for India.

Chipping Hill, Witham, Essex,
14th December 1892.

Sir,

I beg leave to bring to your notice a short paper I addressed four years ago to your predecessor in office on the Indian monetary question.

I urged the utter impracticability of the bimetallic schemes, which were then being pressed forward by Indian officials, and the inutility of any drastic means for meeting the difficulty. I submitted that the only way of steadily improving the position was to begin at once, and educate the Native public up to a sovereign gold currency.

It is well known there are large supplies of hoarded gold throughout India. There seems no reason to doubt that, were a sovereign gold currency now issued, the coins would very shortly disappear from circulation. They would be used up in hoarding. There is generally amongst the Natives a kind of majesty attached to the pure metal, apart from its intrinsic value, that prevents them from bringing it into common every-day use. Until this reverence for gold is overcome, it would be useless to attempt a sovereign gold issue. The first step then in the educational process would be to vulgarise the metal.

For this purpose I suggested the issue of a convenient coin made of mixed metal, a piece of 2½ rupees for instance. Three parts of the coin's actual value is in gold, two parts in silver. That is,—if the actual value of the coin is 5*s.*,—it contains three shillingsworth of gold and two shillingsworth of silver, at current prices. This would give a coin not perceptibly larger than an ordinary rupee.

Now this proportion of admixed silver would be quite sufficient to keep the coin in circulation, since no Asiatic will hoard in mixed metal, and it would never pay to smelt the coin. Besides being a general convenience, it would serve the most important educational purpose of accustoming the Native public to the free use of gold in their every-day business transactions,

since no oriental will forget it is gold he is receiving or passing when he circulates the coin.

There should be a free coinage of this coin for parties supplying their own gold and silver in the stated proportions, whatever they might be.

After five years, say, the Native public would be prepared for an issue containing four parts gold value to one part in value of silver, and the next step might be a sovereign gold issue.

But all this time the educational force of the measure is working its effect, and gold is gradually coming out from hiding-places and becoming less estimated. There will be a natural and sure movement towards a gold standard, and this standard will eventually come of itself. It seems most probable there would be an immediate tendency towards non-fluctuation in the exchange value of the rupee.

Supposing the mint were closed to the coinage of pure silver, but all applicants bringing the due proportions in value of three-fifths gold and two-fifths silver could have the amounts coined into mixed-metal rupees. This would give a coin a trifle smaller than a shilling. It would not be a refusal to coin silver, nor would it be a tax on the applicant, since he gets back full value, but it would put a wholesome restraint *pro tanto* on silver speculation, and tend largely to stop the fluctuations in the value of the rupee while providing a more convenient coin.

Supposing there is no serious objection to the scheme which I fail to perceive, I would submit there is no measure yet propounded to meet the present Indian situation which is less expensive, or which interferes less with trade, or would be less harmful if it failed, or which promises better returns, immediate and eventual, than an educational measure on these lines. It seems more than merely probable that, if some similar educational plan had been taken in hand by the Government four years ago, the present unfortunate condition of Indian finance matters would not have been realised.

I have, &c.
C. E. C. MERINGTON,
Late Bengal Civil Service.

MEMORANDUM on the present STANDARD of VALUE in INDIA, by THOS. B. MOXON.

AN essential of a standard of value is that it should itself possess stability. How to test its stability is difficult, but it is much safer to assume its depreciation from a comparison with general prices than to assert its appreciation from a like contrast. For, whilst from improved processes and economies in a period of active competition it is quite possible that the intrinsic cost of all commodities may be reduced, quite apart from any variation in the standard, it is almost impossible that all other materials can at one and the same time become reduced in supply, or that universally the cost of production will be increased. Whilst, then, a general fall in prices does not prove an appreciation of the standard, a general rise in prices may with some probability be attributed to a depreciation of it. It should, however, be remembered that Mr. Hume remarked that it was not the quantity of money which fixed prices, but prices which fixed the quantity of money required; and Mr. Macleod says, "the quantity "of money in any country bears no necessary relation "whatever to the quantity of other goods, &c., in it, "*nor to their price.*"

At present, however, these axioms do not receive general credence; and we are asked to believe that the quantity of the precious metals is the great factor in fixing prices, though Mr. D. A. Wells, the American economist, published in the New York "Commercial Chronicle" a few years ago some powerful statistical arguments controverting this theory, as far as it affects the appreciation of gold, and in the United States themselves we have an example of an enormous increase in the currency without any rise in prices.

Accepting, however, the popular notion, what do we find to be the position of the rupee as the standard of value in India? There has been no fall in the price of the most general products from which to assume an appreciation of the standard, and no rise in them to demonstrate its depreciation. In fact, the friends of silver point to the steadiness of silver prices as a proof of its stability.

It would appear, then, that in India, measured by this popular test, silver has since 1873 proved to be a perfect standard, and, if so, should not be subjected to any artificial control.

It is true that the low gold price of silver has enabled Western merchants to purchase large quantities of Eastern produce, which but for cheap silver could not have been brought into competition with that of Western lands. Has this been anything but an advantage to India? It is an accepted fact that it has not caused a depreciation of the currency; what, then, has it done for India? A country exports its surplus production, and reaps a profit thereon. Were it not able to export it, the surplus weighing on its home markets would reduce the price of the whole to an unprofitable basis. If the agricultural produce of India were reduced in price to the cost of production, what would be the effect upon the land tax? Would it not press with much heavier weight upon the ryot? Of course, in a population containing such a large percentage always on the verge of famine, it is desirable that food should be as cheap as possible; but taxes are paid out of the surplus after the cost of production is provided for, and would it not be infinitely more difficult to get in the land tax during a range of unprofitable prices than it is at present?

Moreover, the crux of the present question is not the internal benefit of India, but how to enable her most easily to provide for what may be correctly described as her yearly tribute to England. This must of necessity come out of her surplus production, her profits. How, then, would it benefit her to do anything which would prevent her from realising the best price for those products?

It is said, indeed, that the weight of this tribute would be lessened by raising the exchange value of the rupee; but, as we have pointed out, the tribute is payable out of the surplus, and, if you reduce the surplus, or, worse still, wipe it out altogether, a tax lighter nominally may be much more onerous. Thus, if with an income of 500*l.* and necessary expenses of 400*l.* I have an income tax of 10 per cent. to pay, that 50*l.* only takes half my surplus; but, if you reduce my income to 450*l.*, my expenses remaining the same, a tax of 7 per cent., amounting to 31*l.* 10*s.*, would swallow up 63 per cent. of my surplus.

Moreover, of this tribute a large portion is not at all increased by the low price in silver. Thus, stores purchased here cost India in rupees no more, but even less, than formerly. When the rupee was at 2*s.*, steel rails would cost say 12*l.* per ton, or Rs. 120; now these rails are, say, 6*l.* or 7*l.* per ton, which, with the rupee at 1*s.* 2*d.*, still only works out, at the higher sterling price, to Rs. 120 as before. And so of most, if not all the stores imported either on Government or private account.

With respect to the interest on the sterling loans, the weight has undoubtedly increased for the older issues; but for the later issues the increased weight depends upon the fall of exchange since the issue, for, though with exchange at 1*s.* 2*d.*, it would take Rs. $51\frac{3}{7}$ to pay the sterling interest on 100*l.* at 3 per cent., yet, if exchange stood at the same rate when the loan was issued, each 100*l.* of principal would produce Rs. 1,714, so that the cost to India would still be no more than 3 per cent.

This payment, then, on account of old debts is the only item which presses more heavily upon India through the fall in the rupee; and, as we have shown, cheap silver has enabled her to develope her trade and more easily deal with the burden.

With respect to the remittances of pay and pensions, our sympathies go with those who have served their country so faithfully and so well, and few would grudge them relief from their loss; but, as a matter of calm discussion, it must be remembered that living is much cheaper in England than when the rupee was at 1*s.* 10*d.*; and, although school bills are heavier, it is because the quality of the education and the surroundings of boarding school life are on a much more liberal scale than formerly. India could very much better afford to double these pensions, than to allow the trade to be disorganised by any interference with her currency.

The export trade of India would be seriously affected by any tampering with the currency in the way of increasing the exchange value of the rupee, either by the adoption of a gold standard (on other grounds an impossibility), or by bolstering up the price of silver, either coined or uncoined. We have pointed out the effect of low silver on purchases by the West; but India would be put at a disadvantage in competition

with China and Eastern countries, were she to give a fictitious value to the rupee.

At present we import more tea from India than from China. China cannot be affected by any agreement made for increasing the exchange value of the rupee; and any such agreement would handicap the Indian producers, and probably retransfer the major portion of the tea export trade to China.

It is true that an international bimetallic agreement, as long as it lasted, would put China and India on the same terms; but it would also raise the gold price of their productions to the consumer, which could not have a stimulating effect on their trade.

Probably it will be said that bimetallists only wish to secure a steady exchange value. This would best be obtained by once and for all ceasing these agitations to "do something" for silver, as they, it can be statistically proved, are the cause of the most violent fluctuations we have seen.

Moreover, steadiness of exchange at, say, 1*s.* 2*d.*, would not relieve the Indian Government from its supposed difficulties through exchange; no doubt the aim of the agitation is to raise the rupee. What advantage is it supposed pensioners would obtain thereby? Bimetallists tell us that the abrogation of the bimetallic law has caused the fall in prices in England. They will hardly maintain that a restoration of that law would not affect prices here; according to Gresham's law the effect would be not to raise silver, but to depreciate gold, and this is declared by some to be the actual end in view. Where, then, would be the advantage of receiving in England 2*s.* for a rupee, if the 2*s.* would go not further than the 1*s.* 3*d.* does at present?

It is quite clear that, in Mr. Gladstone's words, nothing but mischief can arise from referring distress to causes which are not its real source; and any search for industrial relief from legislative alteration in the basis of our exchanges would be a barren and hopeless quest, diverting men for the time from efforts after practical thrift and improvement, and ending in substantial, perhaps in bitter, disappointment.

THOS. B. MOXON.

Manchester,
17th November 1892.

GOLD STANDARD FOR INDIA.

NOTE by Mr. L. C. PROBYN, formerly Accountant-General in the Punjab and at Madras.

I am very sorry to find that the proposal which I made before the Institute of Bankers, in December, for introducing a gold standard into India, was accidentally not laid before Lord Herschell's Commission.

Believing the proposal to be absolutely sound (a belief in which I am confirmed by the fact that my competent critics, though generally opposed to any plan for drawing gold into India, were unable to detect any flaw in the details of the scheme), and that it affords the best and safest plan yet put forward for introducing a gold standard into India, I am anxious that, even at this date, it should be considered by the Committee.

My plan is to fix the rupee at 15*d.*, that is something like its present rate, to aim at making it a perfect representative of this nominal gold value, and not to encourage the use of gold in India as current money. The closure of the mints to silver would be supplemented by authority to receive gold (*not* for coinage purposes), either (*a*) in exchange for silver rupees to be given from the paper currency reserves, or (*b*) in exchange for special large gold notes.

In the case of (*a*) the gold would gradually accumulate, and, if the balance of trade remained in favour of India, and the ordinary note and rupee circulation increased, a reserve of gold would gradually be acquired by the currency department, which would enable the Government, at some future date, to give gold in exchange for all its current money presented for the purpose. I have provided also for what I understand has since been suggested in America, viz., an "equivalence fund," *i.e.*, a fund to represent the difference between the intrinsic and nominal values of any new coined rupees.

In the case of (*b*), the gold would be as free for the world's use as the gold in the Issue Department of the Bank of England. This point, which was not clearly put in my paper, I have endeavoured fully to explain in a letter published at pages 56 and 57 of the Journal of the Institute of Bankers for January, in reply to Mr. A. S. Harvey's important criticism.

It would be a great mistake to close the Indian mints to silver, without giving the public the option of using gold at the rate which it may be determined to adopt, and without making the most of the gold so used. If the public had this option, the currency would expand automatically in accordance with trade requirements (instead of being determined by the action of the Government); and it would probably in time lead to a sufficient gold reserve being built up to admit of complete automatic contraction as well.

Under the scheme the demand on the gold stock of the world would be really very small, and, being regulated as it would be by the mercantile and banking community in accordance with trade requirements, would cause much less interference with the money markets than purchases of gold by the Government.

L. C. PROBYN.

13th March 1893.

HOW TO RESTORE THE RUPEE'S VALUE.

By OWEN C. D. ROSS, C.E.

In the transactions between India and this country the functions of the rupee are no longer those of a circulating medium, and its value is determined by reference to what its weight in silver represents in exchange for gold. The value of a thing is what it will exchange for, and, therefore, for the purposes of international currency, there is only one way in which it can recover its par value, namely, by returning to the former practice of coining Rs. 10 from silver worth one sovereign. This would be effected by increasing the weight of this new rupee from 180 grains to 300. The depreciation in its commercial value would never have occurred if the former practice had always been adhered to, and would disappear if this policy were now adopted, while the gain to the Indian Exchequer would be enormous.

The drafts of the Secretary of State for India, which, at the price of 14½*d.* per rupee, have now to be met at the rate of Rs. 16,666 rupees for each 1,000*l.*, would require a payment of only 10,000 of the new rupees, and—supposing that a sufficient number of such coins could be made available at once—the drawings for the current financial year, which it is estimated will amount to 18,700,000*l.*, would be met by payments by the Treasuries of Calcutta, Bombay, and Madras, at a cost of Rx. 18,700,000 in new rupees, instead of Rx. 30,932,000. All international bills of exchange should likewise be made payable in new rupees of 10 to the gold sovereign.

In India the existing coins would continue in circulation as heretofore, but there would be one additional silver coin weighing 300 grains, worth, in international transactions, the tenth part of a sovereign, *or exactly what it had cost*, while circulating temporarily in India as the "Great rupee," or "Imperial rupee," of 26 or 27 annas, side by side with the lesser rupee of 16 annas, which it might possibly replace at some future period. For all their remittances to this country the new coin should thenceforth be used, also, in common honesty, in satisfying the requirements of civil and military officers in the service of the State. Ten such rupees having issued from the mint at a cost of one pound sterling, the State could not possibly object honestly to re-establish the salaries of those officers on their former footing by so simple a device, thus avoiding the payment of any special sum as compensation, such as is now contemplated.

The question requiring special care would be the arrangements necessary for meeting the drafts of the Secretary of State against the Indian Treasuries, amounting in the aggregate to a maximum of, say, 400,000*l.* a week. Those Treasuries would have to be provided by the mints with the corresponding amounts in "Imperial rupees," coined, as it has been said, with silver acquired by specific financial arrangements at its market value of, say, 3*s.* 2½*d.* per ounce; that is to say, they must be provided weekly with four millions of such rupees, produced at a cost of 400,000*l.* The drafts of the Secretary of State, when sold to merchants in London, importers of Indian goods, are remitted by them to India, and drafts entitling them to receive from the Treasuries of Calcutta, Bombay, and Madras, four millions Imperial rupees, would be of precisely the same value to them as if drawn for 6,666,666 of the now

current rupees, because both classes of coin would be interchangeable in India at their corresponding values. The gain would be to the Indian Exchequer.

FURTHER NOTE on the RUPEE PROBLEM.

Two proposals have been hitherto under consideration:—

1. A gold standard for India, fixing the price of the rupee by proclamation at 1*s.* 6*d.* or 1*s.* 9*d.*
   Memorandum.—No such proclamation would affect the gold value of the rupee.
2. A suspension of the free coinage of rupees, so as to raise their price in India through the consequent scarcity.
   Memorandum.—This would not raise their international gold value by one single penny, while it would cause much inconvenience and injury to the people of India.

My suggested "Imperial rupee" of 300 grains would practically be a recognition of a gold standard for international transactions (which already exists), but without a gold currency in India. At the same time, the new coinage would involve an *increased demand for silver* which would tend to raise its value, and probably occasion a rise to a premium in the price of the new coin.

The internal trade of India in articles of daily consumption cannot be less than 20 times the amount of her external trade.

SEIGNORAGE ON INDIAN CURRENCY.

By Major-General SAXTON.

The standard currency now in use, under present circumstances, needs no modification, neither has the Indian Government, on its own initiation, the power of making any alteration in it, which would in any way tend to the amelioration of the evils due to the depreciation in value of silver. Anything that may be attempted with prospect of benefit must be sought for outside a mere change in currency, *i.e.*, the form of current coinage. Firstly, with reference to what the Indian Government cannot do. International bimetallism is, by many very able economists, considered the only remedy for the world-wide evils above alluded to. It may be here remarked that in no instance has any opponent of this theory advanced any suggestion even of other remedy. It is stated (especially on the authority of the "Times") that the best thing is to leave silver to find its own level value, and stability will be reached. The complete answer to such argument is, that ever since 1873 silver has been unfortunately so left, but as yet the process has given the most unpromising results. The Indian Government appears to be absolutely powerless as regards initiating anything in promotion of international bimetallism.

The proposal recently made from India, on which the Currency Commission is now deliberating, appears like a hopeless effort of despair. If carried out, there would be a kind of bimetallic currency and a gold standard quite different from anything anywhere else in the wide world. The direct issue (if found practicable) must be the introduction of gold money into Indian currency, with, of course, a corresponding disuse of as much silver money, which, under the ordinary law of supply and demand, can only mean increase of demand and appreciation of value for gold, and the reverse for silver, exactly what is not wanted. Then again, the change to a gold standard would necessitate, amongst other revolutionary changes, a reassessment of all Government taxes and customs. The more than confusion everywhere, during the transitionary period of unknown extent, is beyond contemplation. Advantage of any kind in no way appears. In fact, India must helplessly await the action of the Imperial Government.

The object of this paper, however, is not altogether a negative one.

It has recently been proposed, I think by Sir John Lubbock, that an increase of the mint seignorage for unlimited silver coinage in India would appreciate the value of the rupee in India. On the face of it, this appears worth consideration. Without closer examination, I should not like to give any positive opinion, but the case has, I think, the following bearings.

If the Indian mints were entirely free, like the gold mints of other countries, then the mint price (I am aware that this expression has been objected to by Dr. Giffen, I think, but I defy the objector to supply another English word as substitute) of a rupee would, like the mint price of a sovereign in London, and like the mint price of a 20-franc piece in Paris, and so on elsewhere, correspond with the value of a similar weight of the uncoined metal. This is not so. A rupee in money in India is worth $2\frac{1}{5}$ per cent. more than 180 grains of standard silver. A draft on India, drawn in London, costs 180 grains of fine silver per rupee, plus the above $2\frac{1}{5}$ per cent. and plus the charges for freight, insurance, &c. Why then should not a larger seignorage charge carry with it an enhanced value to the coined legal tender money rupee? I am open to argument, but as yet do not apprehend any flaw in the idea. Contracts would be disturbed, and trade in and production of commodities interfered with, if any sudden change of this kind were made, but that apprehension would be removed if the change were made gradually and prospectively.

In considering this question, I am led into the facts connected with the sale of India Council bills. The rate at which India Council bills are sold measures the value of the Indian rupee more closely than does the market price of silver; thus—

The merchant in London tendering for the purchase of India Council bills makes his calculation thus,—I can buy silver for, say, 40*d.* an oz. If I do so and remit to India, I must incur the further cost of freightage, insurance, interest, &c., and then pay $2\frac{1}{5}$ per cent. seignorage before I get the rupees to pay my debt. The Secretary of State for India offers me bills which will cost me no more than this; in fact, I shall be only paying the $2\frac{1}{5}$ per cent. seignorage to him in London, instead of paying it through the mint to the Government in India. He buys the bills.

I am unable to discover any reason why this train of consideration would become fallacious, if the seignorage were raised one per cent., say every month or so; due notice of the same being given, India Council bills would surely rise. Demand for them would increase in anticipation of the monthly rise. This would cause no embarrassment, as tenders need not be accepted beyond the Council's convenience. Remittance of silver to India would be made in excess of immediate requirements, but that would cure itself as far as I can see.

G. H. SAXTON, Major-General,
Madras Staff Corps, retired.

Emsleigh, Exeter,
21st November 1892.

INDIAN EXCHANGE.

NOTE by Mr. M. SCHILIZZI.

If the Indian Council were to fix, every three or six months, a minimum rate at which it will sell its drafts on the presidencies, and the Indian Government were to levy a duty on all imports of silver—such duty being equal to the difference between the daily official quotation of bar silver in London, and the relative price of silver to the fixed rate of the Council bills—the Indian Exchange would attain a degree of stability such as has not been seen for years, confidence would be restored, the exchange would become independent of the fluctuation in the prices of the white metal, and the obvious disadvantages of the closing of the Indian Mints to the public, or driving India to adopt a gold standard, would be avoided.

Illustration.—Fixed price of Council bills = 1*s.* $2\frac{5}{8}$*d.* The relative price of bar silver to 1*s.* $2\frac{5}{8}$*d.* the rupee is $38\frac{1}{8}$*d.* Assuming the official quotation on a given day to be 35*d.*, silver bought on that day will be subject to an import duty of $3\frac{1}{8}$*d.* per ounce, and will cost, laid down in India, $38\frac{1}{8}$*d.*

Such silver, if taken to the Mint, will produce as many rupees as a Council draft bought at 1*s.* $2\frac{5}{8}$*d.* would produce.

Should such a plan as this be adopted before the abrogation, by the United States, of the Sherman Act of 1890, a disastrous fall in Indian silver securities will be averted to a great extent, and trade will not get disorganised.

The abrogation of the Sherman Act will, in course of time, bring about a reduction in the world's production of silver, and its price will settle down to the parity of the Council drafts. This will minimise the possibility of rupees coined abroad being smuggled

into India, and reduce the temporary disorganisation of the trade of India with China and Japan.

The originator of this plan does not profess to find a solution to the silver question; he simply offers this suggestion, in spite of its shortcomings, as a means of steadying the gold value of the rupee for the time being, and of averting, if possible, impending disasters.

The Silver Rupee Question.

By Mr. Wm. Sowerby, C.E., F.G.S., &c., to which he referred in his Evidence, Q. 2641.

The object of the Committee.—The purpose for which this Committee has been appointed is to inquire into the best means of adjusting the currency of India, so that the present great difference of exchange between that country and England may be neutralised.

The only means of accomplishing this is by assimilating the currencies of the two countries.

Not only should this be done with regard to the Indian Empire, but also it should be applicable to every other colony or country under British rule.

The best standard to adopt is the pound sterling in gold, for the simple reason that gold is the metal liable to a very limited fluctuation. Most other metals are liable to considerable fluctuation in value, and are, therefore, unsuited as standards, though silver and copper are very useful as subsidiary coins for currency purposes.

The advocates of a bimetallic currency seem to have an idea that, by combining gold and silver as standards of value in definite proportions, the fluctuations in price would be neutralised, in the same manner that the combination of two metals, differently acted upon by varying degrees of temperature, neutralises the tendency to expansion and contraction, and thereby enables us to fix an approximately accurate standard of length. But the variation in the cost of obtaining gold and silver is very great.

Gold, as a rule, seldom pays more than the cost of winning; that is to say, if anyone owned the whole of the gold mines of the world, and had to pay the cost of working them, the balance would be on the adverse side of the account. Hence, the fluctuations in value must necessarily be very limited, though, at times, there have been such fluctuations on the discovery of new gold fields. 88 per cent. of the gold of the world is obtained from alluvial deposits, and only 12 per cent. from quartz veins; and it is stated that only 30 per cent. of the gold is recovered from the alluvials. The same remarks do not apply to silver mining, though, of course, there are unprofitable silver mines.

Any combination of these metals as currency, at a fixed proportion, could, therefore, only be maintained by regulating the relative and proportionate production of the metals. It has been suggested to adjust the relative weight of the coins, from time to time, according to the changing value of the metals, by reducing the weight of gold coins and enlarging the silver coins; but this would be a most difficult operation, and, practically, impossible. The present rupee and shilling are already heavy enough for all purposes.

A sliding scale of royalties might be imposed by the various Governments of the countries where the silver and gold mines are situated, and the prices might thus be regulated; but it might, and probably would, also limit the amount of production, and prevent the working of poorer mines, as has heretofore been the case, in the gold mines of North Wales, &c.

There is a continual fluctuation in the value of other metals besides gold and silver. This is partly due to extended mining operations, and increased production by improved methods of the reduction of the ores, especially low grade ones; and also, partly, to a decreased or increased utilisation and application for industrial purposes. This applies, especially, to copper, lead, zinc, iron, steel, and other metals; the two former, copper and lead, having been produced in greater quantities, and at less price, while zinc, which was formerly looked upon as a waste product, has now, from its extended use, taken the place of lead, at least in price. (Lead was formerly 21*l.* a ton, and is now 10*l.* Zinc was of little or no value; it is now 25*l.* a ton. Copper, which was formerly 120*l.* a ton, is now 60*l.* to 50*l.*; while steel was 15*l.* a ton, and is now only 4*l.* 10*s.* to 5*l.* This latter is due entirely to improved methods of production and manipulation; and it is, therefore, now used for purposes, such as rails for railways, &c., which would have been impossible by the old modes of production, and at former prices.)

The same remarks apply, to a great extent, to gold, and especially to silver; and experts have for some time been directing their attention to the recovery of the ultimate particle from both gold and silver ores, with considerable success. The old Roman miners, who worked the Golden Gravel beds in Northern Spain, worked more skilfully and quite as extensively as the modern miners have worked in California and Australia, for they did not leave a particle of gold in the dump or waste.

So, also, with silver. Many lead mines, especially those in Spain, are only being worked for the sake of the silver in the galena, which varies from 60 to 600 ozs. per ton, the lead being regarded as a by-product only.

A ton of copper, which costs 60*l.*, is made into 100,000 penny pieces, worth 450*l.*, yet how much is done with these, from match boxes to penny newspapers, and postage stamps to penny omnibus fares and automatic machines, besides a thousand other things.

The causes which have operated to reduce the value of the silver, and, therefore the value of the rupee, are not difficult to discover or trace. The demonetization of silver as a standard of currency, first by Germany, and then by other Continental countries, was the first great cause. The Germans were enabled to take such measures after the acquisition of large sums of money as indemnity from the French war; and the French discontinued the free coinage of silver, at a previously stipulated ratio between gold and silver, because they were afraid of being overburthened with silver from other countries, and liable to lose their gold bullion.

Then the rupee in India became depreciated, not only from the same causes as above, but also from the partial but extensive disuse of silver for currency purposes, and the substitution of currency notes, as explained in my pamphlet, where it is shown that the carrying about of treasure from place to place, or sending it up-country in large quantities for payment of produce, has been discontinued, and the rupee currency notes, or cheques and drafts, substituted; the Native merchants willingly and freely accepting these notes, &c., which they can carry about in their "cummerbunds" without anyone being the wiser, whereas payments in hard cash would need a coolie or two to carry it, and they probably only want cash for remittance to the large towns for the purchase of goods, and notes are more readily transmitted than cash.

Large quantities of silver are now less frequently hoarded than formerly; rupee paper being preferred as being so easily put away, and also yielding a profit, while hoarded coin does not. The quantity of silver rupees thus disused must be enormous.

In a poor country like India, where millions of the inhabitants are in a condition little better than on the verge of pauperism, the currency must of necessity be of the lowest possible denomination; rupees, annas, pies, dumries, dubs, and couries have been for generations the customary currency, and are probably still so to-day. There are millions of the population who hardly ever see coins of any kind; and, in any future currency, the same low standard of denomination must be maintained.

When I was in charge of works in India, and large numbers of labourers had to be paid small sums daily, and the money for paying them had to be brought 40 miles, I paid them in embossed tickets, which were freely taken by the shopkeepers; and, when a number had been so taken, corresponding orders on the Treasury were given, and, usually, this would be exchanged for an order on some distant Treasury—Calcutta or Bombay; much trouble was thus saved.

In India, there are several kinds of rupees current in different States. The Halli Sicca rupee in the Nizam's Territory, which is a mere circular chunk of silver, about 5 per cent. being spurious; and their "dubs," bits of copper of no particular shape or weight, but answering all the purposes of daily life.

It is therefore of very little consequence to the mass of the population what the currency is, provided it has an understood value, and it is readily exchangeable, and that there is plenty of it.

The money-changers in India invariably exact a dustouree, or discount, upon the smallest sum changed.

When we leave the question of the lower denomination of currency, and come to those where larger transactions are to be provided for, it is very evident that a heavy metallic currency, whether of gold or silver, is

extremely inconvenient and totally unsuitable for the purposes of commerce.

In England there is not only a bimetallic currency, but a trimetallic; and, in addition to that, there is a vast paper currency in the shape of bank notes, bills of exchange, drafts, cheques, and postal orders. But there is said to be a legal limit to payments in silver and copper; there is also a limit to gold and bank notes, because of the amounts of either that are available: but there is no limit to cheques, drafts, and bills of exchange, and it is through the medium of these that the vast commerce of the country is carried on. This is proved by the enormous amount of 17 millions sterling passed through the Bankers' Clearing House daily, which, if it had to be settled by means of a metallic currency only, could not be accomplished; and the tendency of modern commerce is to make a paper currency, which is the great medium of all commercial transactions.

The gold in the Bank of England and that in the various National Banks abroad, merely act as regulators, counterbalance weights, or like the heavy fly-wheel of a piece of machinery. Gold and silver merely represent an amount of accumulated labour. Gold is the most concentrated, because there is little or no profit upon its production.

Silver has a large profit added, so it is not so good a representation of labour *per se*, but labour and profits.

The amount of bank notes that may be issued is limited by the amount of bullion in the cellars of the Bank, plus the amount due by Government to the Bank; the bank note is, therefore, merely a gold certificate: this is proved by the destruction of the note when paid for in gold at the Bank. The other notes not so covered are mere accommodation bills, "shin plasters," issued at the instigation of the Government to cover their debt to the Bank.

The lowest amount of a Bank of England note is 5*l.*, and, the highest legal payment in silver being 2*l.*, the 3*l.* difference must be of gold.

Whether the bank note should be prudently lowered to, say, 1*l.*, or even less, as proposed by Mr. Goschen, is an important question; but there is no doubt but that the postal orders which are now issued to an enormous amount are really currency notes for small sums; this clearly indicates that there is an active and continuous demand for notes of much lower denomination than those which are now current. Lately, the postal authorities have, by mere official caprice, tried to restrict the circulation of these postal orders, by printing on them "not negotiable," but very many do not understand the meaning of this, and your grocer, butcher, baker, &c. will, willingly, even take these postal orders in payment of their bill, and give change for them; and there is no doubt whatever, that bank notes of lower denomination than the 5*l.* note would displace a large amount of gold and silver from circulation.

This is exactly what has taken place in India, and the issue of currency notes has disestablished an immense amount of silver currency, more especially as these notes are issued for so small a sum as five rupees.

The issue of such currency notes now amounts, it is said, to about 280 million rupees (28 millions sterling). It is also supposed that these are chiefly held by the Indian banks in India. These currency notes resemble, and, in fact, are, the same as silver certificates in America, just as the sterling Bank of England notes, which are gold certificates given in exchange for gold and silver. There may, however, be considerable amounts in notes paid out by the Government for the payment of its indebtedness, and these resemble the Bank of England notes issued on the basis of the Government debt at the Bank of England which the Americans call "shin plasters." The silver in India is not necessarily coined into rupees, as the rupees are not wanted for the purposes of commerce, notes, as already stated, being more convenient for large transactions, whether up-country or in the chief cities.

The course of trade is this: Silver, or its equivalent, is sent to India, and produce, such as cotton, grain, &c., is purchased, and then shipped to Europe where it is sold for gold, and thus, silver-producing countries ultimately convert their silver into gold—not, however, always, for the merchandise sent to India has to be sold for silver, and this is again used for the payment of produce bought in India and shipped to Europe and there sold for gold.

When we come, therefore, to large transactions, the currency notes or drafts, cheques, &c., are more convenient than bullion or specie, no matter whether it is gold or silver, and hence the tendency to disuse or disestablish the silver rupee in large transactions. But, in addition to the ordinary trade of the country, there is the transmission of about 17 millions sterling to England on Government account, and this must be remitted in sterling. The Government obtain this by the sale of their drafts on India; but, as these drafts are payable only in silver rupees, or rupee-currency notes, there is, owing to the depreciated value of silver, a heavy loss on the exchange: this is to the disadvantage of the Government of India, because all its revenues are paid in silver rupees, or an equivalent. On the other hand, it has been argued that the withdrawal of such a large sum continually must act seriously on the equilibrium of the exchange. The natives, owing to the increased number of rupees they are enabled to obtain for their produce (the purchasing power of the rupee for labour &c., having remained more or less stationary when used for circulation amongst the labouring population), can now pay their rates, taxes, &c., more promptly, and are also enabled to bring larger tracts of land under cultivation, just as a large reservoir, costing 100,000*l.* would supply water to one million acres—a reservoir double the size, but costing the same, would irrigate two millions of acres at the same expense; but the purchasing power of the rupee of reduced value must, in time, become reduced, even amongst the labouring population, though it may take a much longer time, because millions of the population have never previously seen or possessed a single rupee.

The reason, therefore, of the difficulties between England and her vast dependency being so great, is clearly owing to the standard of currency being different—the one being gold, which fluctuates but little, and the other silver, which from various causes fluctuates greatly, and the only remedy, therefore, is to make the standards of value the same, and the best and only standard must be gold. The ounce of gold is made into four sovereigns, of an exact weight, but not of any fixed value; gold coins are merely tokens, like all other coins.

But the apprehension is that, in order to do this, a very large amount of gold would be required in India—is this really so? Gold as a circulating medium would never be required by the mass of the population in India, they are too poor for that, nor would it be actually required in large transactions, for its transmission would be difficult and risky, though not quite so much so as silver, owing to their respective bulk; a considerable quantity of gold would be required to meet the demand, but not an exhorbitant quantity.

The value of silver was 5*s.* per oz., and it took about 16 oz. to be equal to an ounce of gold. It is now 3*s.* 2*d.*, and it takes 24 ozs. of silver to equal in value an ounce of gold.

The actual cost of silver at the mines is 20*d.* only, and the mine owners expect 38*d.*—or 90 per cent. profits, but 25 per cent. profit is a fair profit on a mine—and every 1*d.* above 20*d.* is five per cent. profit, so that silver might be sold at 26*d.* per ounce, and where would the value of the rupee be then? In Australia silver is said to be costing only 3*d.* per ounce.

The various Governments might put on an import duty of 50 per cent., which is practically what the British Government does when it turns 13*s.* 4*d.* worth of silver into 20*s.*

Were the various Governments to agree to buy five millions worth of silver at 5*s.* an oz., when its actual cost was only 2*s.*, as suggested at the Silver Conference, this would be a transmutation of metals with a vengeance.

It is true that the various Governments where mines are worked might put on a royalty of, say 50 per cent., which would bring up the price to 5*s.* or more production.

But the probability is that silver will become utilised more freely than heretofore, and one may live to see Mr. Maple advertising his brass-mounted bedsteads as mounted with silver, and Mappin selling real silver spoons, &c. at the present price of plated ones, just as steel is now used for railways instead of ordinary wrought iron.

The change from the rupee system might be now easily arranged by retiring the rupee currency notes and issuing sterling notes, taking the rupee of 16 annas each at 16 pence. Government securities, rupee-paper, should also be redeemed, and sterling consols issued at a similar ratio; but the revenue would also have to be converted into English equivalents on an equitable basis, and official salaries the same. Rupees should be gradually recoined into silver tokens as in England, but made legal tender up to 5*l.*; beyond that would be

inconvenient, owing to its bulk. 2*l.* is nominally a legal tender here, but, as a matter of fact, no tradesman would refuse 5*l.* or even 10*l.* in silver in payment of his bill. The profit on recoinage would be very considerable.

There is practically no reason why the rupee should not remain one-tenth of a pound sterling, like the florin—the trifling difference in weight being less than a well-worn English coin. The "florin" is a modern coin with a German name, introduced by Prince Albert; the rupee would have the advantage of a time-honoured name.

It is a great mistake on the part of Governments to become quasi-bankers. Every banker should be allowed to issue his notes, after providing suitable security in the shape of Government paper to within 90 per cent. of his issue, as in America, leaving him to provide the needful specie to meet the daily demands of his customers. This should especially apply to India, the Government, of course, retaining the power of coining.

The accumulation of large masses of gold in treasuries as at the Bank of England, and more especially in Paris, is most dangerous, for, were a revolution to break out, one of the first things the Anarchists, Communists, or Socialists, or whatever they call themselves, would do, would be to attack the treasury to obtain the 600 or 700 tons of gold lying there, and the result would be the most terrible carnage the world has ever witnessed; they might not capture the treasury as they did the Bastile, yet the cost to France would be more than the value of the gold, and it is as great, if not a greater, danger than would be 600 or 700 tons of gunpowder; or, were a war to break out, the Germans, who know their way to Paris, would make a tremendous effort to capture the treasury full of gold. The same hardly applies to England, where the people are more law-abiding and sober, but the hoarding up of so much gold renders it as useless as if it had never been taken out of the mines; and the question has been asked, is it really there, and who has ever counted or weighed it? Was the three million pounds of gold recently borrowed from the Bank of France ever sent over here, or only remitted by drafts; or, if sent, were the boxes ever opened, or actually sent back again with the seals unbroken. I am told that the latter was the case.

As to the Indian gold mines, they should be worked by Government by convict labour, as the Romans worked their gold mines in Spain on the most stupendous scale, and they never lost a grain of gold.

I believe the extent of the Indian gold mines is much greater than at present supposed. There is a steadily increasing supply of gold come from Africa, where there are also rich silver mines. India is not a silver-producing country.

Silver need not be demonetised, however, but used for large transactions at its weight and price, in the shape of plaques, bars, and ingots, as at present in China (sycee silver).

Mr. Chaplin, the late Minister of Agriculture, has been supporting a bimetallic currency as a panacea for depressed agriculture. Was there ever such a strange idea? The true remedy is a better system of cultivation. An old Indian gentleman, who has been experimenting for several years, has, by a system of thorough cultivation, produced *seven times* the average crops of English farmers, and every crop better in quality; this shows how much behind the age agriculturists are. Were one hundred millions of silver given to Mr. Chaplin as a free gift, it would not improve English farming, but might do harm.

Suppose the banks were allowed to issue their notes in India, many of them would be paid into the treasuries for revenue accounts, and then sent on to head-quarters, and when taken to the banks they would give their drafts upon London banks, which would be remitted to the Indian Government here, and, to meet them, they would buy mercantile bills (document bills mostly), paying for the latter their ordinary notes or specie; thus, instead of Government in London selling their drafts, the Government in India would buy drafts to be sent here, reversing the order of exchange as at present.

Companies would be formed here for public works in India, probably to a larger extent than the present 17 million pounds remitted annually to England; a great part of the capital of such companies could be paid here to the Government of India, and corresponding credits given in India at a fixed rate of exchange, thus saving the Government a great amount of loss.

The latter is a very important question; greater facilities must be given for obtaining information on Indian public works here at the India Office, and for negotiating concessions at home, instead of having to go to India to get the information and obtain concessions. Parties wishing to embark upon such enterprises would then more readily entertain them, and they would become popular. At present everybody shirks them, owing to the difficulty and cost of negotiation, frequently ending in vexatious disappointments. So the public take up schemes in the Argentina and other impecunious States. Indian projects, it is now known, are safe and profitable investments under a stable and reliable Government like that of India and its vast law-abiding population. When the Government here is applied to, parties are referred to India, with the remark that it is no use coming here to ask for concessions or guarantees, for the Indian Government is practically bankrupt, when the only guarantee that would be required would be a guarantee that the Government would not interfere with the prosecution of the works, but would be satisfied on completion that the works were properly done. Twenty millions sterling annually might be profitably spent upon Indian public works alone.

GOLD PRODUCTION of the WORLD in 1891.

	Ozs.		Value. £
United States -	1,597,346	=	5,790,379
Russia - -	1,025,664	=	3,718,032
Transvaal (mines only five years old) - -	829,238	=	3,005,988
Queensland, Victoria, and New South Wales -	1,315,808	=	4,769,804
Columbia - -	72,224	=	261,312
Venezuela - -	45,568	=	155,184
British India -	32,256	=	116,928
Total - -	4,918,104	=	17,817,627

W. SOWERBY.

January 1893.

RUPEE OF MIXED GOLD AND SILVER.

LETTER from MR. J. C. STALKARTT.

I submit "a bimetallic coin to be called the Imperial "florin or rupee, made of the value of 2*s.*, and contain-"ing 4 per cent. weight in gold and the balance "silver,"—this is taking gold at 3*l.* 17*s.* 6*d.* per ounce, and silver at 38*d.* per ounce, leaving a small value of 52*d.* for alloy.

	£	*s.*	*d.*	*d.*
That is: 4 oz. gold at	3	17	6	= 3720
96 oz. silver at	0	3	2	= 3648
Alloy - - -				52
				7420

which, coined into Imperial rupees of the value of 2*s.*, would make 309 Imperial rupees, or 300 Imperial rupees and 9 Imperial rupees cost of mintage.

The yearly production of gold is 25 million sterling pounds; and of silver, 35 million pounds sterling.

The advantage of this method would be, that if silver depreciated the gold half would rise, and *vice versâ*.

That without the gold the silver could not be coined.

That, if silver fell, it would not affect the standard, and the surplus of silver would be available for arts, &c., even at a lower price.

The mints must be thrown open to the free coinage of the bimetallic coin, and free coinage of silver rupees be stopped.

That to coin 25 millions into silver would take 25 millions gold; that the public would find the precious metals, and the Government would not have to give gold in exchange to maintain the standard.

There would be no expense to the Indian Government; one million would be enough to form a reserve.

Council drafts would be sold in London at 10 Imperial rupees, but they would be paid for in India's

present rupee at, say, present standard 17 to the pound, or any other standard fixed.

That the present rupees now current would meet India's internal wants, and be the token in circulation, and would not be used for export.

If silver rose in price, the public would not coin Imperial rupees unless gold fell, and one metal would balance the rise and fall in the other.

Exchange with China would be on the basis of the Imperial rupee or florin, a tangible coin as standard, instead of a paper coin.

That, as soon as the standard was fixed, the law of supply and demand would have no effect on it.

The chief flaw is that 2*s.* cannot be defined except one-tenth of a pound, and, as the sovereign and gold ounce are both bought in gold, it is, I submit, impossible to define.

If Russia, for war purposes, chose to pay a premium for gold, gold might rise to 10*l.* per ounce, and the sovereign would appreciate; but I submit that, as long as India had Council drafts for sale, they could maintain the standard at 10 Imperial bimetallic florins for the sovereign.

Therefore, considering everything and retaining silver as a precious metal, and that there is not enough gold in the world to supply India's wants in addition to the European nations, I submit the plan I have herewith submitted is well worth consideration, and is the key to the solution of the question, without disturbing the existing conditions of trade.

I have, &c.
J. C. STALKARTT.

Ghoosery, Howrah,
1st February 1893.

INDEPENDENT STANDARDS.

LETTERS from Lieutenant-Colonel F. S. TERRY.

24*th December* 1892.—I come now to my scheme. Every country has its currency established, and the desire is not to change; but there is also a feeling that something has gone wrong in silver, and there is a desire to aid that metal in any possible natural commercial manner. The natural method of giving this aid is by opening the Mint to unlimited coinage of silver, and this can be done by providing for it a coinage of its own, with its own denominations quite distinct from the gold currency established. Thus our new second currency might be similar in every respect to the Indian, but having our own stamp and denominations. This silver currency would be legal tender for prices in its own denominations—silver prices for silver, as gold prices are for gold. Say, 1,000,000 ounces of silver were sent to the Mint by anyone, this would be coined into, say, "albas," or "unions" similar to rupees, and on being deposited in the Bank of England the latter would have authority to issue notes of 10, 20, 50, 100, 500, 1,000, or 10,000 albas value. These could be dealt in, and, although in internal trade, except in very special markets, it would not be required, yet in international trade with silver-using countries the case would be different. Besides this, the silver metal market in bars would be greatly helped by the silver coin denominations, and the resource of mintage near when desired. Loans could be contracted in silver without resort to foreign money. The new second currency in this country would be the first step towards a universal international currency; for other gold-using countries could adopt the same system and the same weight and fineness of coin. In silver-using countries similarly a second currency of gold, choosing the English sovereign and fractions for their standard, might be adopted. Thus the two metals might be kept separate like two broad trade rivers—the White River and the Yellow River—without channels of ratio between other than the natural daily market quotations.

This completes my scheme of independent standards, and I would add that the adoption of it would tend towards commercial enterprise, as against the financial mastery of the dealers in money. In times of stringency or panic, the option of the two independent medium standards would help to allay excitement by offering additional resources of credit.

13*th January* 1893.—I have the honour to acknowledge receipt of your reply, 12th January, to my proposal to appear before the Indian Monetary Conference as a witness, and regret the decision not if possible, to take any further oral evidence, as my scheme, being entirely new, more especially requires to be explained in reply to questions by those of the greatest experience in monetary matters, in order to confine the details to points of possible misunderstanding.

However, availing myself of the request to put my views in writing, I will supplement the printed matter already submitted to you with a few remarks, with a view to anticipate possible objections which the shortness of the papers sent may leave open to suggestion.

We have in history the sound economic "currency "by tale" succeeded by the equally sound independent currencies by coin, running parallel in the same countries.

Thereafter, we see silver established in the principal currencies of the world, with gold pieces fluctuating in value in terms of silver, running parallel in the same countries, and independent.

It has through these periods of history been established that there cannot be two independent standards in one country, without one being the fixed standard and the other fluctuating with the market.

Now, taking an illustration in English history as being more familiar for my purpose, it will be found that, with a silver currency fully established in Charles II.'s reign, gold guineas were introduced without fixed ratio, and remained so till a ratio was recommended by Newton to check the export of silver then prevailing.

During this period then, there were two independent currencies current in England—silver ruled prices, and gold fluctuated.

It will be observed that silver currency was deficient in pieces of large value, and the gold was so in fractional pieces.

It must also be noted that the modern perfect note issue system which might have served for pieces of large value to the silver currency was absent.

Under these circumstances a commingling of the two currencies took place, necessitating inconvenient calculations.

The next point of history in the above period is the rising price in shillings of the gold guineas, due to the wearing and clipping of the silver money.

Then, in Newton's time, came a fresh coinage of silver, fat shillings replacing lean ones.

In the disturbance of prices which followed, custom placed a drag on the due advance of value of the shilling, and in consequence they were melted and exported. The gold remained because its full metallic value, I think a little more, was recognised.

Without waiting for the fat shilling to right itself by scarcity, Newton was called upon to suggest an expedient for checking at once the outflow of silver.

A ratio between the gold guineas and the silver shillings was then fixed, and our currency became bimetallic as a single country by itself.

From time to time under this system, as confined to a single country, the action of Gresham's law necessitated alterations in the fixed ratio, and the inconvenience to business of these necessary changes led naturally—since the gold coin was strongly established in popularity—to reducing the metal of the shillings, and thus making them workable as fractional tokens of gold in connexion with the fixed ratio.

Had silver been the stronger established metal, undoubtedly it would have led to legislation practically excluding gold from the currency, as happens now in India.

Thus bimetallism leads naturally into monometallism, through its necessities of legislation in counteraction of natural laws.

In the Latin Union, when several countries were in agreement, bimetallism lasted longer, but has led towards the same end.

If a still larger number of nations came into a bimetallic agreement, it may justly be inferred that the double standard would be of still longer duration, but the prospect presented in the future would be similar.

I now come to my proposal, which may be described as a revival of the principle of our currency in Charles II.'s reign, plus token fractions for the gold, and plus all the aid of notes, excellent coinage, and banking systems, for both.

The principle involves two independent currencies, and open mints for both precious metals; but, inasmuch as both currencies would, under my scheme, be complete and independent of aid from each other, they would in practice work differently from the two currencies of past history.

We have seen that one of the currencies would be the fixed currency of usage—in this case gold,—and the other would fluctuate in the market.

We may see also that the completeness of our gold currency would exclude the silver currency from all prices in this country, so that the new silver currency would not affect or inconvenience our gold currency usage.

If a retailer were asked to receive the new currency in payment for his gold prices, he would treat the matter as a retailer in Paris would if asked to take payment in English sovereigns. The retailer's charges for such accommodation, entirely non-obligatory, would deter buyers from making such use of the new silver.

Now, as regards the uses of the new currency, we have in England, notwithstanding all disadvantages, a large and important market in silver metal in bars; and this market, being benefited by the convenience of mintage resources, and silver bank notes, might be expected to expand and increase its demand for silver metal.

Then the advantage of silver notes would make more practicable dealings with India in the one metal on paper, differences only being settled in the metal, and this would apply also to dealings with other silver-using countries.

The freer use of silver in this way might be expected to increase the demand, and appreciate the metal. Indian Government loans in silver would be more easily floated in England if occasion arose, and such loans would be less speculative than loans in the fluctuating metal of that country.

The above train of reasoning is applicable for the establishment of a second currency in gold in India which I now recommend.

Finally, I submit that no change should be made in the currency of India against the trade interests of England, unless such change should be of the nature of an invitation to a reciprocal change, restorative to such interests, such as that which I recommend.

GOLD STANDARD for INDIA on the HAMBURG SYSTEM.

LETTER from Mr. WARBURG, of Messrs. Jonas, Simonsen, & Co.

5, Dowgate Hill, Cannon Street, E.C.,
SIR, London, 23rd January 1893.

THE Brussels Conference was disappointing, in so far as it did not give the *coup de grace* to bimetallism. In order not to offend against International courtesy, the members adopted the ways of consulting physicians, who, even in the most desperate cases, like to add the consolation that while there is life there is hope.

One thing, however, the Conference did prove, namely, that, unless England could be persuaded to join in an arrangement to force silver up far beyond its value, bimetallism would soon be relegated to the limbo of problems like the squaring of the circle, the perpetuum mobile, &c.

England's chief interest in silver centres in India and its standard, and rarely have opinions on a matter-of-fact question differed so diametrically as on this: whether it would benefit or ruin India to keep its silver or adopt a gold standard.

For a gold standard clamour, among others—

The authorities who have to make taxes, receivable in silver, balance outgoings which to a great extent are payable in gold. (This is one of the usual difficulties attending depreciated currencies, and not only the River Plate but many European countries furnish examples thereof);

The farmers and manufacturers of England, who believe that the fall in silver is the chief, perhaps the only, cause of the abnormally low prices, and of a declining trade, and that all would be changed and remedied if India had a gold standard and currency;

(To a slight extent these classes are right, but only to a very slight extent, as they persistently shut their eyes to many other causes which work in the same direction.)

On the other hand, we are told, by many influential and serious men of business, that India—thanks to silver—has prospered immensely, that her trade has increased enormously, and so on.

Which side is right?

Is this apparent contradiction not identical with what we witness everywhere when currency is declining?

When, for instance, the Russian or Austrian exchange declined suddenly, many articles could be exported and yielded a good profit, "in depreciated currency," that, up to such a period, could not compete.

The same has happened in India and in many other countries from time to time, but in more developed countries all prices—including wages—soon rose and put a stop to an unnatural export.

In more stagnant or barbarous countries the internal rise does not fully come up to the depreciation of the currency, and the workers of the soil and the factory suffer by the difference, and have to be satisfied with a more wretched existence.

In India this has not been the case, because, by a curious coincidence, the fall in the value of silver has occurred, *pari passu*, with the fall of most articles which go to make up the chief wants of the working population. Hence the former wages have sufficed to procure the same modicum of comfort, and no more has been demanded.

In other words, the "wages" in India have decreased by about the same percentage as the value of silver has fallen; and not only this, the cost of transport by rail or water to the seaboard has probably also fallen by a similar amount. Hence the exports, which probably were originally stimulated by the fall of the rupee, have continued, aided also by the actual rise of wages in England up till the end of 1890.

If, in future, the fall in silver should become more accentuated than the fall in commodities required by the Indian working population, then we may witness in India the same effect as elsewhere, viz., a rise in wages commensurate with the fall in the purchasing power of the rupee.

If this occurs, the competing power of Indian produce would be arrested and would hardly go further than at present, but it would also mean increased difficulties for the Government to make both ends meet.

There can therefore hardly be any doubt that it would be beneficial alike to India and England if a gold standard could be established, and but for the general fear of not being able to obtain the necessary quantity of gold it would probably already have been decided upon.

Is this difficulty really so very great?

At the Brussels Conference, Mr. Bertram Currie expressed the opinion "that a gold standard need not necessarily also mean a gold currency," and history shows us the truth and possibility of this proposition.

In 1619, Hamburg (following the example of Amsterdam in 1609) established a bank, which originally aimed at protecting the mercantile community against the constantly depreciating or debased coins.

This bank had to encounter many difficulties, but survived down to our own days (1870). It was, however, not till 1768, when it was reorganised, that it served as a proof of the possibility of Mr. Currie's proposition. In 1768 all sorts of remedies were proposed, among others bimetallism (the relative value of silver was then about 13½ to 1 of gold), and it was only (according to Soetbeer's "History of the Bank of Hamburg") by an expression of a well-known architect—Sonnin—made while discussing the question over a glass of beer, that the Senate and Elders found the right way.

Sonnin said: the Chinese are, after all, a clever people, they do not care for the shape or impression of a coin, they take all bullion (silver) at its value, according to its weight and fineness.

The bank of Hamburg was reorganised on the basis of silver bullion only and no coin, and one mark of Cologne weight was declared synonomous with 27¾ Hamburg Banco.

By degrees, every price was fixed and quoted in "marks Banco," every merchant of any importance had his account with the Bank, and either deposited silver bullion himself or got it transferred by somebody else, and the entire trade of Hamburg, and a not unimportant part of the trade of Germany, was regulated by and through the Bank, and by transfers not unlike the cheques which now do the work with us.

The circulation was less rapid, the formalities of transfer greater, and the Bank charged a certain fee for every transfer so as to cover its expenses; but, looking back, it is wonderful to see what a small amount of bullion sufficed for the very considerable amount of work done.

Meanwhile, the retail trade was carried on by coins; those issued by the Hamburg mint were called "current mark," and were of about 25 per cent. lower value than the "ideal and non-existent mark Banco"; but, besides, German or other coins circulated at a more or less fixed exchange (compared to Banco). All wages, rents, and retail purchases were made in such coins; but the wholesale and foreign trade was carried on by transfer, and, at a time when debasement of coins was nothing unusual, this was a great convenience and security.

A similar arrangement is perfectly suitable in India, and in gold, and, what is more, the merchants of the large centres, like Calcutta, Bombay, and Madras, are perfectly able to inaugurate it themselves.

Whether the imaginary divisions of an ounce of gold of a certain fineness be called gold rupees, pounds, or simply fractions of ounces, matters nothing, as long as all the places agree on the same denomination.

Were this started, all wholesale prices, both for import and export, would soon be quoted in this standard, and would greatly facilitate business, while a very small amount of bullion would suffice for the transfers, and this quantity, which would have to be procured by the merchants themselves, would probably not offer greater difficulty than does the balance which every man of business keeps at his bankers.

Considering that the flow of bullion has been for many years *to* India, and is likely to continue so, the bullion is likely to be more easily obtained there than elsewhere.

It is, perhaps, also not improbable that some of the gold "hoarded" in India may find its way into such banks, in exchange for silver rupees with a face value; and the present time, before the purchasing power of the rupee, compared to commodities in India, has fallen further, seems a very favourable moment.

If such a system were introduced, it would pave the way for future and more thorough legislation, and it might presumably induce the English Government, as a "temporary" measure, to close the mints against private coinage, in fact, to follow in the footsteps of the Latin Union. Such a closure would not be scientifically correct in a country which still has a silver standard; but, under the unnatural circumstances called forth by the Sherman Bill, it would, for the moment, and to a certain extent, consolidate the present value of the rupee, and enable the Government to watch the future of American legislation and its influence on silver, and it would pave the way for either adopting a gold standard and currency as in England, or a gold standard as in Hamburg, while using the present silver currency as "tokens," at a fixed value, for the internal trade, or to leave the present silver currency unaltered.

I remain, &c.

F. E. WARBURG.

MEMORANDUM submitted by Sir RAYMOND WEST to Lord Herschell's Committee on the Indian Currency, to which he referred in his evidence, Q. 2788.

In making up its mind on such important measures as a change of the monetary standard, or the closing of its mints, the Government of India has to face a complicated problem. There are several questions connected with the proposals brought forward which have been and are hotly debated. I cannot claim any authority for my own views on these points, yet I must state them, and the reasons for them, as well as I can, in order that the suggestions I have to make may be the better appraised by men more versed in economic science than I can pretend to be.

The first of these questions is this: Is silver, as compared with gold, likely to rise, or remain stationary, or to fall in value? I have been reluctantly driven to the conclusion that it will certainly not rise, and that it will probably fall. The causes of the great relative decline are operating still, and may at any moment be brought into operation on an enlarged scale. The vast hoards of silver held by the United States and by France may at any time be let loose on the market. Silver exists in practically unlimited abundance; gold is scarce, and fails to respond in quantity to the demand for it. Even should new gold fields be discovered, the history of past discoveries teaches almost as a principle of mineralogy that the quantity easily won will be comparatively small; Peru, Brazil, California, Australia, all read the same lesson. When the first efflorescence has been swept off, the production of gold for the market becomes, like that of silver, a mixed work of winning the ore and extracting the metal from it. In the case of gold, the former, involving human labour on a large scale, is an element of greater consequence than in the case of silver, and it is the one the necessary cost of which cannot be materially reduced. If we suppose silver to be produced ready for the market at 32 pence an ounce, and gold at sixteen times that price, then, as 16 ounces of silver is at least sixteen times the bulk of a like value of gold, every improvement in machinery and arrangements for reducing the ore will operate much more largely on silver than on gold, of equal value but much smaller bulk. Unless the quantity of ore to be reduced for one-sixteenth of an ounce of gold is equal to that which yields an ounce of silver, an improvement in the process will lower the cost of the silver more than that of the gold. It is on such elements that the market price of gold and silver must depend in the last resort, rather than on the discovery of new gold fields. The question always is, at what relative cost are the last portions produced that the market will take up from the mine owners, and improved scientific processes will apparently do more to cheapen the bulkier metal in production, and consequently in market price.

An increased, *i.e.*, cheaper, production of gold may itself drive down the price of silver. The comparative cheapness of gold may induce a State which has hitherto used silver for its coinage, to use gold. Gold may not be brought quite up to its former level, but the silver superseded by it will be thrown on the market, and depress it, so that the primary effect of the increased supply of gold is transferred wholly or almost wholly to its rival. The inclination of the principal States towards a gold standard and currency is so strong, that the adoption of it may be expected whenever and wherever such a step can be taken consistently with economy.

A high organisation of business, an increase in distant commerce, and in transactions on a large scale, tend naturally to augment the use of gold relatively to silver, and so to enhance the comparative value of the former. In the last three centuries silver has pretty constantly, though slowly, fallen in price as compared with gold, in spite of the great drain of silver to the East. In the sixteenth and seventeenth centuries, when the transport of the precious metals was expensive, gold was relatively higher in value in great commercial centres than elsewhere. The larger scale of the transactions created a greater demand for it in such places than elsewhere. Now, in the present day, commerce constantly becomes not only greater in quantity, but far reaching and more concentrated. As business transactions are on such a large scale, the most valuable metal becomes more and more convenient as the medium for settling balances. This tendency is likely to increase, and to lead to the use of gold, wherever it can be used, in preference to silver.

The historical associations connected with silver, inducing a universal distrust of its stability, will always, or for a long time, give gold a preference in the case of investments for profits to be realised after a considerable time. Contracts will be made in gold, that the profits may be reaped in gold.

Such considerations seem to lead almost necessarily to the conclusion that gold must rise, and silver fall, in the future as in the past, relatively to each other. In the century between 1540 and 1640, the value of both gold and silver, relatively to other commodities, sank to about one-third of what it had been. This occurred in spite of the vast extension of enterprise and commerce during that century. It was rather the invention of improved means of obtaining the precious metals from the ores, than the discovery of the mines of Potosi, which led to the great increase of prices. In our own day, science and machinery have been brought to bear on the production of the precious metals in a marketable state, in a way quite analogous to the introduction of Medina's quicksilver process contemporaneously with the accession of Queen Elizabeth. At the same time, the enormous growth of capital, and the organization of the means of dealing with it in large masses, combined with improved facilities in transport and communication, have led to dealing at much lower profits, and with much less bodily movement of the precious metals, than in former generations. As between the great *entrepôts*, a much smaller quantity of coin serves as the medium of transactions than before. As between individuals, on account of the greater concentration and bulk of the transactions, and of the need of celerity, gold has become far more convenient than silver as a material for settling balances.

The consumption of both gold and silver, but chiefly of gold, in articles of luxury, has increased along with the aggregate of middle-class incomes. The monetary operations of Germany and the Latin nations have absorbed gold and rejected silver. Thus, although the total supply of the precious metals has been equal to the aggregate increased demand, this demand has fallen in such a proportion on gold as to materially enhance its value; all the excess in supply over needs and over demands at the previous rates has been in silver. There is no apparent reason why this should not go on, and silver fall to one-third or one-fourth of its value 20 years ago.

Next arises the question of bimetallism. Whether gold and silver can, by a general agreement, be made to circulate together at a valuation of 15 or 16 to 1, is a question on which different views have been maintained by very able men. If the principal nations would agree wholly to discontinue the use of gold as coin, until the market became overstocked with it, and its relative price consequently fell, then this contract strictly carried out might depress gold to the requisite extent. That would apparently depend on whether the demand for gold for other purposes was so increased by a slight fall of its price in commodities as to absorb the whole quantity thrown out of circulation. Anything short of the disuse of gold would apparently fail, since people would always use the money that was cheaper when measured against goods. The alternate disappearance from England of gold and silver, as each was by royal regulation undervalued in relation to the other, affords the strongest practical proof of Gresham's law. A bimetallist will ask, where is the expelled gold to go to? The answer English history gives is, that it need not go anywhere outside the country or group of countries hitherto using it. The known artificially low price of gold would cause hoarding to be made in it, as happened in England under Henry VIII. and Edward VI., until an increase proclaimed of one-third in the relative value of gold brought the hoards speedily into circulation. For purposes outside coinage, gold is esteemed many times higher than silver; and, if the estimation of silver were such that 20 ounces were valued as one of gold, for purposes of taste and luxury, gold would be employed in preference to silver, until it could no longer be procured at less than 20 to 1. The tastes of mankind would be more powerful than the decrees of Governments. Thirty shillings in silver would be given, as it has been given before, for the gold contained in a sovereign, and Governments would have to buy at the market price, or cease to buy at all. Supposing the existence of a popular demand for gold of any elasticity, the slighest fall in its relative value would not only diminish the supply through the smaller quantity of commodities to be obtained for it, but would increase the consumption so as to raise its market value almost to the former level. People would bring plenty of silver to be coined, but who would bring gold on terms of receiving 15 times its weight of silver, when in the market he could get for it 20 times its weight of silver, or commodities worth 20 times its weight of silver? Gold would be disused as money, and would be hoarded or melted, until various ingenious ways of using it at its true value were invented, and Governments were thus forced to allow natural laws to operate directly as well as indirectly.

Instead of a bimetallism of silver and gold, we may consider the case of a bimetallism of silver and copper. Silver being weight for weight worth 100 times as much as copper, we may suppose it enacted that copper coins shall be freely minted and pass current at three-tenths of the valuation of silver coins of equal weight. The effect would be that an immense quantity of copper would be presented for coining, but no silver. Prices would rapidly adjust themselves to the value of copper relatively to commodities, and silver bullion would share in this rise of nominal prices, so that, if the Government should endeavour to supply the deficiency of silver circulation by its purchases, it would have to pay in copper, not according to its own standard, but according to the real market relation between the metals.

As silver bullion would be more valuable than silver money, not only would silver be exported, but it would be hoarded through the general feeling of its excess of value. Such an effect has at different times been experienced in England in the case both of gold and of silver. The disuse of silver as money would lower its price, but this again would increase the use of it for other purposes, and, if the demand thus created were considerable, silver bullion would still be worth more than silver coin of equal weight. No one, under such circumstances, would bring silver to the mint; nor could it really circulate as coin, unless the disuse of it, and a continued production, should bring it down to one-tenth of its former value through the excess of supply. The extended use of silver for industrial purposes, and the closing of mines, would postpone this result indefinitely. So, as between gold and silver, silver prices would cause gold to be disused; it would be produced in smaller quantities, and, as it was excluded from coinage, it would be employed for other purposes, and absorbed without any great decline in value relatively to commodities generally and to silver.

It would appear then that silver cannot recover, that bimetallism would be ineffectual, and that stability requires a gold standard as the basis of the currency.

It may be said that a change from a silver to a gold standard, by discrediting silver still further and throwing the exchange of commodities on gold as a medium, would drive silver down most seriously, and would greatly lower prices in gold through the increased need for that metal. And this would undoubtedly be the case under a system which demonetised silver. But, under a system which, with a gold standard, should make silver coins unlimited legal tender, the primary disuse of silver would be measured by the small difference between the metal in the new coins and that which would have been in the old ones doing the same work. Add to this a liberty, at any rate for several years, to contract in the old rupees, and the result would be that the diminution of silver in use would be extremely small. Silver would, so far as affected by the proposed operation, gradually go down in price to a limited extent; but this process, going on side by side with the general use of coins representing gold, would be an encouragement and stimulus to the productive classes. They would be in a position to pay their interest, mortgages, and leasehold rents, with an ever decreasing quantity of produce converted into old rupees, without a surplus of palpably less value than before. The invigorating effect of a diminishing pressure of obligations would thus be strongly felt throughout the country. The Government also, as it would discharge its silver obligations somewhat more easily, would have so much the less occasion to impose burdensome taxes on Her Majesty's subjects. Other causes, it is almost certain, must ere long bring about a descent of silver, which stands, at its present height, in a state of unnatural tension. Then the foresight of the Government, and the necessity of its action, would be brought home to all. The inert classes would suffer, but, for the paying and producing class, there would be a relief and an expansion analogous to what history presents in the latter years of Queen Elizabeth.

Whether the view here expressed can be fairly refuted or not, so much is clear, that any general agreement in favour of bimetallism is not practically to be looked for. No one asserts that bimetallism can be instituted by a single State, and the long equilibrium which subsisted through half the present century was in fact an unstable equilibrium, such as had previously long subsisted, and then rapidly ceased in the seventeenth century. A gold standard is that of England and her colonies. It is that which the civilised nations one after another are adopting. Its increased adoption tends to prevent sudden fluctuations, through the great mass of gold in use, through the ready absorption of any superfluity, and through the great variety of interests involved. At the end of the 17th century, while gold rose about 36½ per cent., silver bullion rose but 24¼ per cent., as expressed in silver coin. The difference of more than 12 per cent. in favour of gold was ascribed by an able writer of the time to the danger and vexation which the people had experienced from every money transaction of the clipped and deficient coins (Lord Liverpool, p. 89). And so at present, the Indian Government can borrow at 3 per cent. in gold, while it has to pay 33⅓ per cent. more, *e.g.* 4 per cent., for a loan raised and payable in silver. The universal feeling of the instability of silver thus depresses it by one-third in general esteem for long investments. The same feeling operates to the same extent to check the investment of British capital in India. The capitalist dreads that his profits, even if nominally high, may come to him in a continually declining medium; that his invested capital may eventually be recovered only at a loss in gold of 50 per cent. There is no doubt something to be said in favour of a high rate of interest and profit in India, as an inducement to people there to save, instead of consuming their gains; but those who

carry on industrial enterprises, lose through the excess by which the lenders gain; and the aggregate wealth of the country is probably increased by much more than what it has to pay for foreign capital brought into it at a comparatively low rate of interest. As lower profits may thus be accepted, a larger share of industrial produce is left for distribution in wages, and, the field of employment being widened, the pecuniary condition of the working class is improved all round. Many English capitalists find a difficulty in clearly realizing their position as investors under a silver standard; and there can be little doubt that a great additional influx of capital would follow the adoption of a gold standard. If this should expel silver, there would be grave inconveniences of another kind, but these consequences may be avoided.

Then as to the probable effect of a change of standard on trade and production. It is commonly contended, and not wholly without reason, that the decline in the value of silver, while it has greatly increased the silver payments of the Government of India, has at the same time made the commerce possible through which those payments have been made. What occurs appears to be this: There is both an appreciation of gold and a decline of silver as measured against commodities in general. A bill on Liverpool, payable in gold there, exchanges for more rupees than formerly in Bombay or Calcutta. The rupees are taken into the local market, and they purchase grain, or hides, or cotton, at what to the holder of a stock appears a fair profit on his own outlay. He has in many cases little or no regard to the intermediate decline in value of the rupee. This is so much the case that even the shareholders of the Presidency banks cheerfully vote dividends of 10 per cent., when their whole capital, including the reserve, has gone down more than 10 per cent. in the year. The rupees paid by the wholesale buyer to the ryot appear a fair price to the latter, judging by a standard of former transactions. His own debts to the Sowkar and the fisc can be discharged in the rupees that he receives. He would like to ask more, but new competitors press forward and prevent any rise in the market prices. But, if now the merchant went to the Native trader with gold, or with silver notes convertible into gold, itself capable of being immediately used to purchase silver, the trader would as readily receive the gold, or the imperial rupee representing gold, as he would receive silver. The ryot again, finding imperial rupees convertible into old rupees, would take the one as readily as the other at the market rate. Should old associations or natural obtuseness create a difficulty, the trader, necessarily an intelligent man, would exchange some imperial rupees for old ones, and would then meet the ryot on his own ground. The inducement to cultivate, held out to the ryot, would be precisely the same as before; the intermediate profits would be precisely the same, though expressed in somewhat different terms; and trade would go on under the one standard substantially as under the other. An unfavourable exchange is a premium on exportation; but whether at a given moment the exchange is or is not favourable, depends on what it is likely to be afterwards. If the rupee is thought likely to fall in value, the merchant in Bombay naturally tries either to bargain for a future delivery and payment, or to postpone buying, or to buy on credit, hoping thus to get more rupees for his own bill drawn on England against the goods, and so realise a larger profit. The Native trader, in so far as he shares the general opinion and yet practically takes silver as ultimate, desires to postpone selling until the expected decline of rupees, which to him signifies a possible rise in price, comes about. Thus a repeated experience of unfavourable exchanges operates sometimes not to encourage, but to discourage trading. The apparently capricious and incalculable fluctuations in the value of the standard coin exclude from business a large number of men of more or less capital, who shrink from extreme risks, but who would find the means of developing commerce were it placed on a reasonably stable footing. A very large proportion of the export business is, no doubt, done by telegraph, but enterprise in any new form of trading can seldom avail itself of this aid. It is at least a question then whether, on the whole, and over a considerable period, the unfavourable exchanges have not checked Indian commerce rather than stimulated it; checked it, that is, as compared with the working of a monetary system for India resting on a gold basis, with prices precisely reflecting those of the European markets. Now that the fall in the value of silver is gradually coming home to the consciousness of every trader in India, transactions will be more and more checked by the general uncertainty. Either cash dealing will be insisted on, or else gold prices will be stipulated for by the Native brokers and wholesale traders, as these really form the basis already of the extensive purchases made up-country by some of the European firms. In either case, there will be a reference, express or implied, to a gold standard. No illusion will long be possible, and the Government will promote the general convenience and welfare better by adapting its coinage regulations to the natural movement, than by endeavouring to prevent it.

It may be objected that there would be an inconvenience in recognising two mediums of exchange side by side, and that it would create confusion and give opportunities for fraud. These objections have some weight, but not much weight. The Native bankers and traders in India are familiar with different currencies. The Nizam has a currency of his own. In Gujarat the Gaikwad adheres to his own currency, and the Babashahi rupees, about 9 per cent. lower in value than the standard rupees, circulate freely in the Native dependencies and in the neighbouring British districts.

The question is often propounded why, as silver has fallen 35 or 40 per cent. in value, prices in India have not risen in the same proportion? Some part of the difference in value of silver, as measured in gold, must be ascribed to a general enhancement of the latter as compared with all commodities. In some respects, as, for instance, the rents of dwelling-houses, prices seem to have manifestly risen in India in some places quite in proportion to the fall in the value of the rupee. Services have not materially risen in price, because the wage fund has not increased. There has not been an increase of demand for servants at higher wages, except in factories and on railways. The extension and also the intension of agriculture have been achieved without great addition to the number of hired labourers. India is a country of *petite culture*. The farmer cultivates his holding by his own labours and those of his family. When more profit is to be made by an improved cultivation, he puts more work into the land; but, except casually and temporarily, the work is his own. He toils now more strenuously and with more enterprise than before; but as yet his industrial system is not radically altered. Tradition and custom govern it still, and they govern, too, the measure of his expectations, so far that he is contented with the established prices for his produce; the rupee being to him an ultimate fact, beyond which his speculation hardly extends. Yet, in the remotest villages all over the country, the improved means of communication and the enterprise of wholesale dealers have, in fact, very materially raised the prices of grain, as well as made a market for inedible produce which did not formerly exist. In thousands of out-of-the-way places, the prices formerly below the general level have been brought up to that level, and the grain and seeds pouring from these sources into the great central depôts have thus prevented a rise of prices by an effectual competition. There is a continuous increase in agricultural produce and of the cultivated area in India. This might be thought impossible without a rise of prices, which has not taken place; but the opening up of new fields by the new facilities has thus far been like a new area of fruitful soil added to an estate by alluvion, enabling produce to be placed on the market at a diminished real cost. After some years more this perpetual accretion to the practically available culturable area will cease, and then an increase of prices will become necessary to stimulate intensive agriculture, or the tillage of second and third class lands. If more capital is introduced into the country, and the subsidiary operations, such as loans and advances, and the dealings of middlemen, are thus made possible on a basis of reduced interest, prices may be kept down without a decline of progress and prosperity for many years to come. More of industrial profit will go to the small proprietor, and less to the landlord, than would otherwise be possible. Now, the change from a silver to a gold standard would almost certainly bring a vastly increased capital into the market in India; and, prices even remaining the same, the ryots, who could profit by the increased facilities, would prosper more and more, at least until their land tax should become a rack-rent in some new revision of the assessment.

One great reason why agricultural produce in India does not rise in proportion to the fall of the rupee, is the necessity of disposing of the crops as soon as they are ready for the market. The great majority of the cultivators are extremely poor, and are kept poor by national customs and the family system. Their crops

are often sold in advance. Even when this has been avoided, the land revenue has to be paid, and debts have to be defrayed out of the crop. It must therefore be sold promptly, and is parted with as soon as the ryot can see his way to realising so much as will enable him to live and pay his way. Custom, tradition, and ignorance, as well as poverty, thus make for the middlemen purchasers, but they, again, compete with one another at the great *entrepôts*. They compete also with great European firms, prepared to accept very small profits on an outlay turned over quickly. Thus the European buyer ultimately takes the advantage realised by the toil of the ryot, working for profits so small as just to raise him above penury. No one, of course, is to be censured for this. But a distinct change in the standard would bring the ryot's prices into direct relation with the European prices, and enable him to realise more easily and clearly the continuous decline of silver, against which he would have had to provide had the currency remained unaltered. It would not prevent the competition of Indian fields newly opened up; but, as soon as this process had been exhausted, it would induce him, with a clearer view of the circumstances, to stand out for higher prices, so far as the competition of the world would allow.

If it were not for the higher rate of interest that has to be paid on silver loans, it would be to the advantage of all owners of productive land in India to raise money, borrowed and repayable in silver, on their estates, in order to buy more land. The temporary causes which keep silver up relatively to produce must by-and-by become exhausted, and, when the consequent fall of silver took place, the incumbrances could be paid off with a much smaller quantity of produce than the original loans were worth, even at a comparatively high rate of interest on capital (which yet on good security does not exceed 6 per cent.). The present is a time at which every Indian landowner, great or small, who sees a way to a profitable investment in improving his property, ought to hasten to make it.

Whether the Government of India formally adopts a gold standard or not, commerce will be driven eventually by a natural craving to seek out a way of using it: and, as silver becomes more hazardous, gold bargains will take place even in India, as gold alone affords a stable basis of calculation. Professor Bonamy Price says, "The essence of the action of money lies in the "guarantee it gives for purchasing other goods of "equal value with those given for it; a changeable "guarantee breaks down in its most vital quality. "Every contract, every debt, supposes that the value "understood at the time shall be paid when due. "Absolute certainty on this point is not obtainable, "because value is expressed in a commodity, and there "is not a single commodity which is not liable to some "fluctuation of value. But the money which is made "of the steadiest commodity is incomparably the best" (Currency and Banking, page 16). Gold has the quality of steadiness of value far beyond silver. Silver never recovers, except temporarily, from a material decline, and now every great fluctuation must end in placing it lower relatively to gold, after a series of mischievous intermediate variations. At the same time, there is an enormous mass of silver current and hoarded in India. There is a large public debt payable in silver. Banks, mills, and factories have large capitals invested and engaged in terms of the existing rupee. The people, accustomed now for generations to the rupee as the chief medium of exchange, will not readily understand the necessity for a change, or adapt themselves to it. On the one hand, the Government requires a larger and more steady revenue; commerce needs a more trustworthy monetary basis for its operations. On the other hand, the interests and convenience of the mass of the people would be injured, and the credit of the Government would be shaken, by a sudden and complete demonetisation of silver. Apart from special circumstances and political considerations, a simple substitution of a gold for a silver standard would be the best course. The reasons for it are analogous to those used in support of a gold standard for England by Lord Liverpool, and now confirmed by nearly a century of trial. But the reduction of silver coins to mere tokens, legal only for insignificant sums, would derange business throughout India, and would probably give rise to dangerous discontent. If a means can be found by which for some years silver and gold may stand side by side, and be used each according to the convenience of the people, the transition from a silver to a gold standard will be freed from the worst mischief that would attend a rude and sudden change. The monetary history of England shows that a double medium may be in use for a lengthened period, without any attempt to enforce relative values by law, and without serious injury to industrial progress. For India, the problem is how to obtain the solidity and security of a gold standard, while still finding a use in circulation for the enormous mass of silver held by the people, and regarded by them generally as the only universal medium of transactions.

It appears to me that, with the aid of many subsidiary arrangements, the desired end could be attained by the scheme which I proceed to outline.

An Act to be passed constituting an Imperial rupee as ·075*l.*, *i.e.*, as equal to 1*s.* 6*d.* in British currency.

Authorising Indian pounds to be issued in exchange for gold bullion. They should be coined as Rs. 10 pieces, exactly equal in fineness to the British sovereign pieces on the same terms as in London.

Authorising silver to be received, and for a small royalty issued in pieces stamped by Government, and containing 180 grains of silver eleven-twelfths fine (the present rupee) or such other weights as Government may deem expedient.

Authorising the issue by Government on its own account only of silver pieces of a weight of 200 grains, eleven-twelfths fine, as Imperial rupees.

Such rupees and kindred minor silver coins to be legal tender for any amount, but for every 10 presented at the Presidency Treasuries a gold Indian pound to be claimable.

Government to be at liberty to meet such a demand by a payment either in gold, or in silver at the exchange fixed for the day and notified at the Presidency Treasuries at noon. Old rupees* thus paid to be computed simply as bullion at 165 grains each.

New Government Currency Notes to be issued on the basis of the Imperial rupee. Old notes to be payable in old rupees until eventually called in.

Government's gold coins to be legal tender, each for the number of Imperial rupees indicated thereon, and British sovereigns of full weight to be legal tender, each three for 40 Imperial rupees.

Gold coins and Imperial rupees should be supplied to Native States, on the same terms as to private persons, in return for gold lodged at the Treasury, and a device of the Native State might be impressed on each coin thus issued on terms similar to those prescribed by Act 9 of 1876. The Act might still be applied to the coining of old rupees for native States, which would in effect be merely stamping each piece as containing 165 grains of silver. New copper coins of small denominations to be issued by Government, having the same relations to the Imperial rupee as the present copper coins to the present or old rupee. The present copper coins to be exchangeable for their equivalent in old rupees, but cancelled to a convenient extent as they come into the hands of Government. As long as the old rupees remain useful and popular, a copper coinage for fractions of them will be necessary. Both may be eventually called in.

Salaries payable by Government to be eventually settled in Imperial rupees, but in the meantime to be payable at the option of Government in Imperial rupees counted each as ·075*l.*, in such numbers as shall be at least equivalent in value to the salary in each case due in old rupees computed according to the rate of exchange notified on the day on which the salary fell due, and on the basis of each old rupee being 165 grains of silver.

Future contracts by Government to be made as to their monetary element in Imperial rupees. Outstanding contracts between Government and individuals to be commutable as to money from terms of the old rupee into terms of the Imperial rupee, by agreement of the parties immediately interested. Completed pecuniary obligations of Government to be optionally discharged by payment of Imperial rupees, at least equivalent to the old rupees according to the exchange notified on the day of payment or tender. A tender within two per cent. of the exact equivalent to be, for this purpose, good, but subject to supplement or correction.

The public debt in the shape of loan notes and book entries to be payable in old rupees; but conversion into Imperial rupees to be allowed on the agreement of Government, and the immediate holder of any loan note, either at the rate of exchange notified for the day or at such rate as may be proposed and accepted by the parties. Trustees of all funds held for public purposes or for beneficiaries of any category to be at liberty to agree to the commutation.

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*By "old rupees" I mean those now used.

An addition to the present weight of 180 grains in coining the new Imperial rupee would for many purposes be desirable. It would be a manifestation, in the first instance, that the new coin not only passed for more than the old, but was intrinsically worth more. On the other hand, the tola is the most familiar of weights in India, and the basis of the larger weights in use amongst the Natives. It weighs 180 grains, and thus the rupee serves as a universal standard of weight in common transactions. If it be thought necessary to preserve this convenience, either a small quantity (about a grain) of gold might be put into each Imperial rupee, and the weight kept at 180 grains, or silver tenths of a rupee might be issued, one of which placed in the scale opposite to that containing an Imperial rupee of 200 grains would cause a tola, *i.e.*, 180 grains, to balance it.

A possible arrangement would be to coin the new Imperial rupees in the first instance of 180 grains of fine silver. They would then be one-eleventh more valuable intrinsically than the old rupees, and this superiority in value would be tested and advertised by every village soucar in the country. The identity of weight and greater purity would recommend the new coins very strongly.

The impression ought to be easily distinguishable, in order to prevent confusion with the old rupee.

Existing contracts and obligations amongst private persons and corporations should be subject to settlement as now, *i.e.*, in old rupees. But, on notice given by either party and accepted or left unanswered, the account and pecuniary obligations between them should be commutable into terms of the new Imperial rupee at the notified rate of the day mentioned in the notice. In case of dissent to the proposed commutation, the *status quo* to be maintained.

New contracts to be expressed at the choice of the parties in terms either of the old rupee or of the new Imperial rupee. The old rupee in all such cases to be taken as equivalent to 165 grains of silver authenticated as in the now current coin, or in such other manner as Government may deem expedient.

Decrees and orders of courts and officers for the payment of money on liabilities primarily dischargeable in old rupees, to be expressed at the discretion of the judge or officer in Imperial rupees, and to be payable in that form at the exchange of the day as notified.

The effect of this system would be to allow the present rupees (which I call the *old* ones) to continue to circulate as a medium of exchange and measure of value amongst private persons, side by side with the new Imperial rupees, at the same time that a steady, though gentle, pressure would be brought to bear in favour of the universal adoption of the latter. The general change would probably take several years. It would be effected most slowly in the remotest districts, and this would be an advantage. Bankers, and merchants on a large scale, would probably lose no time in placing all their accounts and obligations, once for all, on a gold basis. This done, they could use silver, in the shape of the Imperial rupee, far more freely and largely than they can now use the current rupee, being secured by its gold basis against the risk of extreme fluctuation which now attends the use of the rupee. They would buy and sell in gold values with reference to European markets, where gold values are the standard. If, for the markets of China and the East, dealings in silver on a silver basis should appear desirable, they could bargain still in the old rupees, but this practice would speedily decline. In Austria, as I was informed when recently travelling there, the transformation of the currency is being carried out in this way. A holder of "guldens," or florin notes, the old paper currency, can exchange them for notes payable in gold or silver, at the rate of about 11·80 to 10, or 118 to 100. The new notes are payable in gold or silver, and are received in payment of customs and taxes. Thus the taxpayers have in some cases to bear a charge of about 18 per cent. above their previous burdens. As the gulden notes are brought in and cancelled, it is intended to receive them at a smaller and smaller discount, until, finally, only so many are left in circulation as will readily pass at par. Thus the subjects aid the Government in getting rid of the embarrassment caused by the decline in the gulden notes, and by their non-circulation outside the country. The process I propose for India is analogous to this, as I will presently show. A small stock of gold, in addition to a large stock of silver of the old and new currencies, should be kept at the several Presidency treasuries. For public convenience, small requirements should, when desired, be met in gold, at a minute premium to be called commission. This would cause silver Imperial rupees to be taken instead. On larger sums a higher commission should be charged, resort being had to payment in old rupees only, as silver bullion, whenever there was a prospect of serious depletion. This would be an application of the method followed by the Bank of France, by which its gold reserve is kept up. The practical effect would be to make note-holders take payment in other Government currency notes, and in Imperial rupees of silver for internal traffic, and old rupees for purposes of export. A very small quantity of gold would support the paper and silver note circulation, as it supports the bank note and negotiable instrument circulation of the United Kingdom. Silver, however, in the shape of Imperial rupees, being made legal tender for an unlimited amount, the working stock of gold might be kept far lower in proportion than in England. At the same time, by a judicious use of the commission or premium, the stock of gold could be gradually augmented if that should be found desirable, seeing that some gold would continually be imported in the shape of English sovereigns, or would be presented for minting. The people of India having been accustomed for many generations to the use of silver money for all their ordinary business transactions, they would continue to use it to a considerable extent, even were the relative prices of silver and gold, as used by them, left to be adjusted by the higgling of the markets. This would be so for a certain number of years, as in the converse case in England of the gold coins after the legislation of William III. But the superior exchangeableness and certainty of value of the new Imperial rupees would gradually lead to their displacing the old rupees. The people would still use silver, and with most of the traditional associations, but with a steadiness of value which would restore their shaken confidence in it, both for remote payments, and for hoarding. There is even now an importation of silver into India. This is partly due to waste, loss, and conversion, partly, and in a great measure, to ever remoter recesses of the country being opened out to commerce. The augmented traffic requires an increase of its vehicle, silver; money rents, and money payments on account of mortgages, more and more supersede payments in shares of produce; agents of Bombay firms come with offers of rupees to villagers who find them almost as tempting as an African finds beads and nails. Thus there is a perpetual demand for silver, as mercantile life becomes more active and more highly organised. But hoarding, whether by hiding, or by making ornaments, is more and more effected by the withdrawal of gold from commerce. And this tendency will increase, unless silver is somehow rehabilitated. The land revenue and kindred levies should be debited to all debtors and contributories in new Imperial rupees, instead of the present old standard rupees. But, to soften the transition to the heavier eventual payment, a remission should be made in the first year of 3 annas in the rupee. This would reduce the actual payment to 1*s.* $2\frac{5}{8}$*d*, which would be close on the present amount as paid in rupees of the existing standard. In the second year the remission should be 2 annas. The payment would then be 1*s.* 6*d.* × $\frac{7}{8}$th, or 1*s.* 6*d.* — $\frac{1}{8}$th of 1*s.* 6*d.*, *i.e.*, 1*s.* $3\frac{3}{4}$*d.* In the third year the remission should be 1 anna, *i.e.*, $\frac{1}{16}$. The payment would be 1*s.* $4\frac{1}{2}$*d.* In the fourth year the full 1*s.* 6*d.* would be levied. We may take the gross land revenue as affording 25 millions Rx. If an imperial rupee of the value of 1*s.* 6*d.* or ·075*l.* were levied for each rupee now paid, the result would be an addition to the income of Government of nearly or quite 5 millions Rx.

Settlements made within the last five years should be excluded. They should be re-valued in Imperial rupees with a deduction of 3 annas in the rupee. Those made within 10 years should be re-valued with a deduction of two annas in the rupee. Tributes from Natives States should be put on the same footing as land revenue. The sums annually or periodically due should be debited to the payers or contributors in Imperial rupees, but with an allowance of 3, 2, and 1 anna in the rupee for the first three years.

The amount of tribute is over Rx. 750,000, and an addition of $\frac{1}{5}$th would yield Rx. 150,000.

Provincial rates should be expressed and settled in Imperial rupees. The whole system should be revised by the Local Governments, with a view to following, wherever possible, the analogy of the land revenue. But in many cases the amounts realisable would depend on real values, and would diminish in number of rupees just as the rupees increased in value. The amount now levied being Rx. $3\frac{1}{2}$ millions, an increase of not more, perhaps, than Rx. 200,000, could be looked for through changing claims and debits to the new denomination.

The duty on stamps should be levied in Imperial rupees. This, however, would not produce any

material increase of revenue. The stamp duties are already heavy, and they are mostly *ad valorem*. The sums on which duty had to be levied, being expressed in Imperial rupees, would be represented by figures lower than by the old scale, in the same proportion as the new rupee exceeded the old rupee in value.

The assessed taxes are *ad valorem* or *quasi ad valorem*, and would in most cases produce no more or less through any change of monetary denomination. There is room for a great increase in the amount raised by Income tax, but it is the same in real value, whether the rupee should have a value of 1*s.* 6*d.* or 1*s.* 3*d.*

Customs duties are mostly levied *ad valorem*, and would produce no more through any change of the monetary denomination—no more, that is, in real value. The produce of the Customs is almost ludicrously small for a country with such a population as India, and might easily be doubled or trebled; but the requisite modifications are independent of the valuation of the rupee.

The duty on salt should in each province be levied experimentally, at a rate substituting the new Imperial rupees for the old rupee, with a gradually decreasing deduction, as in the case of the land revenue. If the existing rate of consumption could be kept up, the present Rx. 8½ millions would be increased by Rx. 1,700,000. There would, possibly, be a small decline in consumption; even such, perhaps, as to necessitate some partial readjustments, but Rx. 1 million of increase might be counted on with reasonable certainty.

Excise should follow the analogy of salt. The accounts should be made out and kept in Imperial rupees. The still-head duty that could be levied, and the amounts that could be obtained for licences for sale, would not be very much greater in real value than at present. The number of rupees realised would tend to decline as the value of each rupee increased. But contractors and licensees, being used to bid and pay in rupees, would, through the force of habit, go nearly up to the accustomed mark. On a revenue of about Rx. 5 millions, an increase of Rx. 500,000 might be looked for, *i.e.*, the number of Imperial rupees realised would not be diminished in proportion to the increased value of each; there would be an excess over the net equivalent, amounting to half a million of Rx

The opium revenue would not be affected by the change. It depends on what can be got for the drug in China, and this would be substantially the same, whether expressed in terms of the new or of the old rupees. The Inland Revenue or excise on opium produces, comparatively, but a small sum, although still considerable, *i.e.*, about Rx. 800,000. The rate is already made as high as is compatible with non-encouragement of smuggling. Nothing more, therefore, could be obtained in real value by a change in the monetary denomination. A considerable amount of smuggling goes on now, especially on the roads and railways passing in and out of Native States. A reduction of duty on opium supplied for consumption would discourage smuggling, and would greatly increase the consumption, so much so as to add a substantial sum to the revenue. But a part of this would be merely a set-off against a decrease of liquor duties, as many men now drink who would take opium in preference were it cheaper.

There might be some difficulty in getting the remote villages supplied with enough of the new Imperial rupees to pay the instalments of land revenue in the first month of the new system. This might be overcome (1) by selling Imperial rupees at a price (in old rupees) slightly below that corresponding to the market rate of exchange; (2) by accepting old rupees for Imperial rupees at a trifling difference, to be called commission, below their market value in Imperial rupees; (3) by taking half the first two instalments of land revenue (January and March) in old rupees; (4) by sending to the several villages a supply for sale of the Imperial rupees, and also of one Imperial rupee notes, which would be sold for old rupees, accepted in payment of revenue, and gradually cancelled, unless afterwards found specially convenient.

If the proposed change of standard should be carried out on the lines suggested, it would probably be possible to convert the whole or nearly the whole of the outstanding public silver debt into a debt of 3 per cent., payable in Imperial rupees, *i.e.*, substantially in gold. Such a conversion would be necessary, in order to place the whole financial system on the new basis, and it would silence future reclamations founded on the continued decline of silver.

There would, of course, be some outcry at a change from payment of the land revenue in rupees of the old, into rupees of the new standard. The temporary alleviations I have proposed would not prevent the real final increase of the burden from being felt. To allay discontent, it should be explained frankly to the people that, although there may appear to be an increase in the exactions of Government, yet, in taking 1*s.* 6*d.* for a rupee, it substantially takes 6*d.* less than was contemplated in fixing the settlement rates, and that the money is absolutely needed to carry on the work of Government in providing for the welfare and progress of the country. The return to cash payment in England added heavily to the burdens of all debtors, whether to Government or to private creditors. The withdrawal of the forced paper currency in Italy added materially to the burden of the revenue land-tax levied in that country. The reform of the currency in Austria is attended with a similar inconvenience. In each of these cases the taxpayers recognise that the really, though not nominally, increased demand made on them is, in fact, a return to what was originally intended, not a mere wanton increase of their burdens, and such, with proper explanations, would be the feeling in India. The additional sums levied by Government would be a mere trifle, compared with the increase of the debtors' burdens that would be caused by a sudden and enforced substitution of 1*s.* 6*d.* for 1*s.* 3*d.*, or 1*s.* 2½*d.*, as the value of a rupee, by a change of standard without any qualification, or even by a contraction of the currency. This should be clearly indicated, and it should be demonstrated that the alternative to the change actually adopted was a considerable and varying increase of the land-tax, which would have deprived the ryots of the benefits of the settlements.

There would be found many persons in India, as there would in the like circumstances in England, to complain of the proposed changes in the taxes as oppressive, to dwell on the increase from 15*d.* to 18*d.*, rather than on the decrease from 2*s.* to 18*d.* But, with good management, these persons would be opposed by the host of Government servants of every grade, drawing, in many instances, only starvation wages in old rupees, and looking for material ultimate relief to the change of standard. Recipients of rents, annuities, and pensions would hail the change. To these may be added the class of well-disposed rational thinkers, who would look at the whole subject without prejudice, and admit the necessities of the situation. Yet, after all, particular alleviations would no doubt be indispensable in many special cases. Of the 5 millions of increase of land revenue which a first view suggests as practicable, perhaps not more than 3½ millions Rx. would be easily realised nor, I think, ought more to be counted on as the effect of the proposed change.

As directly springing from the change of standard, we should then have increases in—

	Rx.
Land Revenue	3,500,000
Tributes	150,000
Provincial Rates	200,000
Salt	1,000,000
Excise	500,000
	5,350,000

But Customs would readily yield Rx. 1,500,000 more than at present. A tax on cotton and woollen cloths of moderate amount would yield the whole sum. It would be paid, in a great measure, by persons in easy circumstances and by Natives of the Feudatory States.

Incomes derived from land are exempted from income tax. The reason assigned is that the recipients of income thus derived pay land tax, and are warranted by Government against an increase of it. True; but they pay land tax whether they gain or lose by their lands. The tax implies and springs from a part proprietorship of the State in the lands, and the ability of a landowner with a net income of Rx. 1,000 is not less than that of the merchant or banker with a similar income. The levy of a house tax, or of stamp duties on negotiable instruments, is not held to furnish the payers with a ground of exemption from income tax levied on them in another character. Neither should payment of land tax exempt a landowner from income tax any more than from Customs and Excise duties for which income tax is *pro tanto* a substitute. There is an immense number of incomes drawn from land in India which are too small to be touched by the income tax; but, by placing landowners and occupiers on the same footing as other persons, Rx. 1,000,000 might be added to the present produce of the income tax. It may be a question whether this extension should be

made concurrently with that of the levy of the land revenue in Imperial rupees; but it is a reserve that may fairly be looked to in case of urgent necessity, and which might be at least partially introduced on grounds of mere expediency.

But, without any extension of the incidence of the income tax, the relief needed for restoring the Indian finances may, I believe, be found in the measures I have proposed. They would bring in nearly Rx. 7,000,000 a year, in addition to the present revenue; and would enable the Government to relieve its suffering servants at an early date from some part of their present penury.

Apart from the augmented resources to which I have pointed, a material relief may be obtained by the Government of India, through transferring to local bodies some of the burdens now borne by the Imperial and provincial exchequers. The municipalities and local boards should, in order to provide means, be given enlarged powers of local rating; and, the duty of supporting the police and gaols being laid down as essentially a local obligation, the contributions still to be made by Government should appear merely as aids. The powers now nominally possessed by municipalities are very severely controlled. They have to be exercised through byelaws, and these byelaws, requiring the ratification of the Local Governments, are made to bend to whatever doctrine or formula about taxation has taken possession of the mind of a Governor or a Lieutenant-Governor. Greater indulgence should be shown to people who are willing to provide ways and means; such an indulgence, for example, with regard to octroi duties as is allowed to cities on the continent of Europe.

India is a lightly taxed country. But it is a poor country, and a great deal of its taxation cannot be enhanced except at long intervals, or else without producing a diminution of consumption that would defeat the purpose of Government. New taxes of a very onerous character would cause much discontent. The necessity for them would be denied, as it is denied now in the case of the existing taxes. It is not unlikely that resort would be had prematurely to representative assemblies as a means of raising revenue. Then instantly would arise a contention on the question of military expenditure and interest on the public debt. Until political wisdom is greatly increased in India, and an imperial spirit far more deeply infused, representative institutions would be full of peril. They would, indeed, be found incompatible for any long time with the present system of government, dependent on the supremacy of England. New burdens cannot by any process be made altogether palatable; but, if they must be imposed, it is for many reasons best that they should take the shape of local payments for local benefits of a plain and palpable character. The immediately realised *quid pro quo* would make the tax or rate more like purchase money. The local discussion of the means of raising funds for local purposes would bring home the necessity of the rates to the consciousness of the ratepayers. The odium of exacting the money would rest on the local bodies more than on the Government. The expectations of things to be done by or through public authority would be chastened, and readiness to act independently increased. Representation and self-government would come to be regarded, not chiefly as a means to gratify self-importance, envy, and fussiness, but as involving grave duties and heavy burdens. A practical turn would thus be given to the political education and thought of the people, which without their investiture with enlarged powers must prove disastrous to the Empire. If it should be determined that a certain portion of the charges borne by Government are to be made not only provincial but local, the following suggestions may be offered.

The cost of police is about Rx. 2,500,000. Of this Rx. 1,500,000 might be made local, leaving the general Government to bear one million. This latter sum would pay for reserves and for the superintending staff.

Public education in India appears to cost about Rx. 3,000,000 a year. A share of the total burden is already borne by muncipalities, but the principle should be definitely adopted that provision for primary education is properly a duty of the town or locality, Government only being under an obligation to aid so far as its means allow. To secondary and higher education, as the benefits are more widely diffused, Government should contribute more liberally, but still only in response to local contributions. To the Universities no large contribution is needed, but a small one should be given in return for a representation of Government on the syndicate or managing board. By good arrangements Rx. 1,000,000 might be transferred from the Government's budget to the local budgets.

The maintenance of gaols and the cost of administering criminal justice are charges which, without any obvious unfairness, the localities immediately concerned might be called on to defray instead of Government. But, if the reliefs already suggested were afforded to Government, there would probably be no need to press its claims any farther.

Should the Local Boards and Municipalities be required to provide for Police and Education in the way suggested, it would be necessary to provide them, besides the contributions of Government, with new sources of income; these should, if possible, stand clear of the sources from which Government draws its revenue. Two have at various times occurred to me as available in case of need, a licence tax on marriages, and one on domestic servants. There must be 5,000,000 marriages at least every year in India. Every marriage is notoriously an occasion for lavish and wasteful expenditure. Impose for local purposes a licence and registration fee, graduated so as to amount to an average of Rs. 5 for each marriage, and the produce would be Rx. 2,500,000. This sum could, I believe, be levied without any serious difficulty. *Quasi* conjugal association should be taxed equally with marriage, in order to discourage immorality.

Domestic servants kept in large numbers are a favourite form of luxury and display in India. Actual needs can be satisfied by two domestics for a family, and for all in excess of that number a licence should be required as for a male servant in England. The fee payable for the licence might properly be graduated, so as to increase in the rate per head for each additional member of the staff of retainers. If this should lead to a reduction of overgrown establishments, the country would gain by it both from an economic and from a moral point of view. By the rate here suggested Rx. 500,000 might readily be raised without any hurtful pressure on the well-to-do classes of society.

Provided with a ready means of raising Rx. 3,000,000, the local bodies could of course relieve Government to the same or a somewhat less extent. Such relief would not avail against a continued decline of silver, but in case of need, and combined with other measures, it would be a material aid to the Government.

RAYMOND WEST.

SUPPLEMENTAL NOTE.

As to raising the value of rupees by closing the Indian mints against silver, if you artificially raise the price of rupees by simply making them scarce, the first result is to cause produce to exchange for fewer rupees. This is, in other terms, a fall in prices. The cultivators, getting lower prices, would have a difficulty in paying as many rupees as before to Government. They must sell produce, too, for other needs than the need of paying their land tax; this does not absorb more than one-sixth of their gross produce, of which they may actually sell about one-half. They would thus lose on $\frac{3}{6}$ths, *i.e.*, one-half, of their produce, in order that Government might gain, in an equal proportion, on the other $\frac{1}{6}$th. The gainers of the other $\frac{3}{6}$ths or $\frac{1}{2}$rd would be the present holders of rupees, and their successors in the capitalist class, as against the producing, directly industrial class.

If prices fell in this way, the purchaser of the Secretary of State's Bills on India would give proportionally more for them as more goods could be had for the same number of rupees. His position would be made so much easier, but at a cost to the taxpayer of many times his gain.

Suppose that, along with a suppression of minting, you declare that a rupee shall in future be defined as 15*d.*, *i.e.*, as $\frac{1}{16}$th of a pound sterling. Prices in India will still be regulated by those obtainable for its produce in foreign markets. If then the silver in a rupee falls to $\frac{1}{20}$th of the value of a pound sterling, goods exchangeable for a pound sterling will buy the silver contained in 20 rupees, while, if sold for Government rupees, they will bring but 16 rupees. The Government rupees will thus be made inconvertible silver notes, circulating at more than their true value. For all external purposes they will hold only their intrinsic

value, and no more. Silver and gold, whether coins of Native States or sovereigns, will have their real value. Anyone, then, who wants to get silver and to keep it, will take Baroda coins, even at a small premium for his goods, in preference to British rupees at a high premium. He will prefer gold worth 20 rupees intrinsically, to rupees worth 16 rupees intrinsically. He will prefer the Baroda silver coins for which he gives 16 rupees' worth of goods, to the British silver of equal weight for which he must give 20 rupees' worth of goods.

But it is the tastes and desires of those who are prepared to retain things which ultimately fix their value, as we see continually in the produce and stock markets. As against gold coins and Native coined rupees, British rupees cannot maintain an artificial premium; if they contain $\frac{1}{20}$th of a pound's worth of silver, they will circulate at a discount, taking the name of a premium on Native States' rupees containing $\frac{1}{16}$th of a pound's worth of silver, just as against $\frac{1}{16}$th of a pound sterling. At equal weights, Baroda rupees being cheaper will supplant British rupees. The circulation of foreign rupees not covered by Act IX. of 1876 and of sovereigns may be prohibited, but the use of them as merchandise cannot be prevented, and, from the very motives which make the precious metals valuable, the Native producer will prefer the mass of rupees containing, and known to contain, more silver to the mass containing less silver, however designated. He will prefer the gold exchangeable into the silver of 20 rupees to 16 actual rupees. Unless then you can prevent the intrusion of foreign coin, your British rupees will be at a real discount on their nominal value whenever the silver in them is worth less than their nominal value, unless they are actually convertible into gold. They will sink as did bank notes during the Napoleonic war, but to a discount—through a nominal rise of commodities—such as to make them exchange at the now raised prices for goods, so as to give sellers what they can get for their goods in silver or equivalent gold of other currencies. If the currency of small coins is restricted to the needs of small change, it cannot fall to a discount; and, if you can prevent the exchange of goods in India for anything but British rupees, you may gradually raise the value of these in British India as measured by commodities, but the thing does not seem possible. Its first effect would be to draw the whole stock of silver used for hoarding from Native States and other sources. So also as to silver intended for use in the arts. Twenty rupees in bullion or Native coin would, for these purposes, be preferred to 16 rupees in silver, called by the name of 20 rupees. Thus the present withdrawals from the great stock in India would not take place, and our silver coin could discharge its functions for an indefinite time without material rise of value. The smallest rise would, of course, prevent any exportation of silver coin, as the metal would buy more goods at home than abroad. Imported goods of all kinds having to be paid for in exported goods, the latter, including silver bullion, would be forced on the market, and sold at rates corresponding to the gold rates abroad. If rupees had been enhanced in relation to gold, the goods would have to be sold at relatively lower rupee prices; and, these prices governing the market, the producer would lose, or seem to lose, all round, in order that Government might make a gain of one-sixth or one-tenth as much in land revenue.

As the trade prices between British and the gold-using countries would be regulated by gold, so as between it and Native States and silver-using countries the prices would be regulated by the true value of silver as against goods. If the British rupee were artificially but really enhanced, goods would be sold at such lower prices as would ensure a profit when they were resold for silver at its real value over the frontier. For every small rise in the British rupee there would be a corresponding fall in rupee prices; and it would appear an intolerable hardship to the British ryot that he received but 10 or 15 rupees for the same grain which brought his neighbours over the frontier 20 rupees of the same weight. He, too, would seek the 20 rupees, and in some shape he would get it, even if without the British impress.

Large quantities of British rupees are now annually exported to Afghanistan, Central Asia, Africa, and the Persian Gulf. If a scarcity value should be established the exportation would, of course, cease. Native coined rupees would be bought at their real value, and exported instead of British rupees, and thus the general supersession of our rupees would be facilitated to the small extent requisite to prevent any material rise above bullion value unless conversion into gold were warranted.

If Government, defining a rupee as $\frac{1}{16}$th of a pound sterling, undertakes to give a pound sterling for every 16 rupees, that, of course, fixes a gold value; but it also binds the Government to accept for revenue, or for exchange, two or three hundred millions sterling of rupees at 15*d.* each, though their market value may have gone down to 10*d.* Should the Indian Government cease to coin, this fall is not at all unlikely to take place. Gold having been made the standard, silver in excess of the demand for purposes of small change would not circulate at more than its bullion value. Rupees, as representing so much gold, would buy gold on the Secretary of State's bills without loss by exchange; but the gold payment, or its equivalent, having to be provided at 15*d.* a rupee out of a revenue paid in the actual present rupees at 10*d.* a rupee, the Government of India would have to get $1\frac{1}{2}$ rupee of revenue for every rupee of the Home drafts. This would go on until the existing mass of British rupees had been so reduced as to barely suffice as a medium of traffic at the declared value of 15*d.* each. This consummation would be long delayed by natural causes, and by devices for the use of a cheaper medium of exchange than Government silver at a premium of 20, 30, or 50 per cent.

R. W.

NOTES on the INDIAN CURRENCY SYSTEM, and its CONNEXION with POLITICAL FINANCE, by Mr. W. MARTIN WOOD, formerly Editor of the "Times of India" and the "Bombay Review" at Bombay.

I.

Having had this subject before me almost continuously since 1865, it is possible that I may be able to indite a few notes on it that are likely to be of assistance to the Committee of which Lord Herschell is Chairman. It will be my endeavour, in so doing, to avoid the current controversies as between mono-and bimetallists, which have been treated to the point of exhaustion; and to draw attention to some aspects of the subject that have been overlooked, or only touched upon.

2. For instance, it is desirable to recall the situation presented in 1863–66, which was the exact reverse of the present. Then, gold was comparatively abundant, and silver scarce; so that many Anglo-Indian authorities, fearing that silver might become more costly in relation to gold, considered that the Indian silver currency would become stinted, thereby causing a fall in prices and serious inconvenience. Hence they deemed it desirable to seize the opportunity to adopt a gold standard and currency, though retaining silver largely in circulation and extending the issue of notes. Much earnest discussion arose, which resulted in specific inquiries directed by the Government of India, if not the appointment of a Commission to formulate proposals. (As to the latter point my memory does not quite serve.) The minutes and correspondence that ensued were collected and printed in an octavo white book, copies of which are, no doubt, in the library of the India Office, and would be serviceable for reference. The most prominent personage in that discussion was His Excellency Sir William Mansfield (late Lord Sandhurst), then Commander-in-Chief and Member of the Supreme Executive Council. He treated the subject with his notable dialectical skill, so that, under the then position—gold supplies increasing and silver relatively diminishing—his arguments carried conviction with many that the time had come for the institution in India both of gold standard and currency. But the civilians who entered into the controversy, including the then Financial Secretary, were loth to disturb the long accepted silver standard. There were a few—including the Secretary of the Bombay Chamber of Commerce and myself*—who, while desiring to maintain silver as the standard, also as the bulk of currency, thought that gold might be largely attracted into the circulation, not as standard, but as legal tender, subject to periodical readjustments.† Some weak attempt was made in the direction by declaring English

* See "Things of India made Plain," Section 5, Finance, p. 324 and footnote.

† In the Government of India's Despatch of November 1878 some such proposal was carefully considered, but hampered with the foregone conclusion that a gold standard should be worked up to (paras. 24 to 41). But this and the whole Despatch was "stamped upon" in the Treasury Minute of 24th November 1879. See "Correspondence, Silver Question," 1886—C. 4868.

sovereigns as legal tender for Rs. 10; but this was revoked three or four years afterwards, on its being found that the coin fetched more in rupees. That white book contains one or more minutes by James Wilson, the eminent Finance Minister; but his object was chiefly the introduction of the currency note system, too tardily accepted by the Indian authorities.

3. It is not intended here to found any argument on the sharp contrast presented between the former period and the present, that is, cheap gold and dear silver in 1863–66, and dear gold with cheap silver in 1878–92; but this contrast in the conditions of the problem challenges careful attention. If the introduction of gold either as standard or largely into the currency of India was thought desirable and seen to be feasible in 1865, special arguments will have to be established to prove that such course is desirable or feasible now, when the conditions are diametrically different. It might be, and may be, argued that the relative conditions of gold and silver production or the relative effective demand for each have absolutely and irrevocably changed since the former period, and therefore it is needful to remodel the world's currency systems, and especially that of India, *de novo*. Amidst the skilful and forcible contentions on both sides in the current controversy, it can scarcely be admitted that the above proposition has been proved with sufficient clearness to warrant an absolutely new departure, to say nothing of the difficulty of devising means to obviate the interim straining of political and other contracts, and the disturbance of prices during the transition stage.

4. Here, in passing, as to this question of providing means, so far as India is concerned, it may be well, by way of illustration, to mention what has been strongly put by an Anglo-French friend of the present writer, who from his Continental standpoint, being free from the qualms and inequitable limitations that influence our public men on Indian financial questions, is free to express an entirely disinterested opinion. He remarked to this effect—in view of the very great political advantage or prestige, and, above all, the immense pecuniary profit that possession of India has yielded to the United Kingdom, the least that should be done in the present difficulty would be for the British Treasury to provide (by raising its own loan if need be) thirty millions sterling wherewith to start India afresh with a gold currency. As to this, it is not for me to express an opinion, except to remark that this counsel of perfection on the financial side of the question strikes down to the very bed-rock of the subject. Unfortunately our statesmen, of whatever party, are under such tough traditional bonds—which might be described in the dictum, "India must pay all, England nothing,"—that they can scarcely comprehend such a proposition; though some day the conception incidentally embodied therein may come to be recognised as pertaining to the first volume of the Sybilline books presented to us on behalf of India.

II.

5. There is one mistake of fact, that runs through all the disquisitions on the fall of the gold price of silver, which it is necessary to point out, as it indicates an inadequate perception of the India factor in the group of causes. It has been almost constantly assumed that the fall in silver has been due to the demonetisation of that metal by Germany in 1871–73, and the assumed consequent diminution of its use in France and the Latin group. That was the fact "seen" by European writers on currency; what they did and do "not see" is the far larger cause, scarcely concealed, in the immense increase which set in at the same period in the constant and ever-rising volume of the Indian Secretary's weekly sales of Council bills. That this huge factor should have been so persistently overlooked is not creditable to the writers on this subject, for the report of Mr. Goschen's Silver Committee in 1876 left them without excuse. It was demonstrated in that report (as it had been previously in an invaluable treatise by Mr. R. H. Hollingbery, Assistant Financial Secretary, Government of India) that the influence of Council bills in keeping down the market price of silver (and in adding to the Government of India's own loss by exchange) is far more weighty and persistent than the effect of the increased production and partial disuse of silver. In Mr. Goschen's report, it is pointed out that "the supply of a different form of remittance, "namely, Government bills, has *superseded* to a great "extent the necessity of remitting bullion; . . . "the effect of this substitution has to be measured in "very large figures. . . . To the merchant and "banker remittances in these Government bills are "equally, if not more, convenient than a remittance of "silver; . . . it will be seen that, though the "total amount of treasure and bills together remitted "to India during the last four years (1872–76) has but "slightly declined, the proportion between the two "has been *entirely reversed*." Then, after citing 15,000,000*l.* as the then average sum of the Home charges due from the Indian Government, the reporter remarks, "This is the sum which has to be paid "annually by India (on State account) to England, "and this sum *pro tanto* displaces the despatch of "bullion." Now, as the aggregate amount of the Secretary of State's bills in the twelve years ending 1892–93 has been over 170 millions sterling, it will be seen what a comparative bagatelle was the German demonetisation, the force of which has long since been expended; and that we have in this enormous politico-financial supersession of imports of silver into India the one huge overpowering cause of the fall in the gold price of that metal. It is scarcely needful to point out that these Council bills convey nothing to India, but are only orders to pay out silver already in the Government Treasury there. The amount of these withdrawals represents the main portion of that immense gap between the total exports and imports of India which has few parallels in commercial history, and goes so far to explain the adverse industrial and economic condition of that Empire, a topic which is not to be discussed here.

6. It may be worth while to recall the circumstance, scarcely sufficiently dwelt upon in the Silver Report of 1876, which was the proximate occasion of the rapid increase in the volume of Council bills at that period. This was the cessation, gradually from about 1868 to 1874—thus synchronising with the German demonetisation—of the sterling sums paid by the great guaranteed Railway Companies into the Treasury of the India Office here. These payments were *pro tanto* a set-off to the home charges, and kept down the amount of the Council bills. In the four years ending March 1871 those payments amounted to 13·7 millions; and the amounts paid had been considerably more on a previous period. After 1873 this set-off almost ceased; though it has since been partially renewed by payments on behalf of recent railway extension on different terms. The effect of those former sets-off, and then their cessation, serves to sharply indicate the period of the leap taken at the period in the amount of the Council bills. In Mr. Goschen's report it is mentioned that, whereas in the four years ending 1872 the annual average of Council bills had been only 7,400,000*l.*, while the import of treasure into India had been ten millions per annum, in the four years ending 1876 Council bills had bounded up to an average of 12,600,000*l.*, and the imports of treasure, chiefly silver, had declined to 4,100,000*l.* yearly, or less than half. In face of this financial revulsion and supersession of silver, it is matter for surprise that the fall in the market price of the metal was not more rapid than was the case.

7. The question whether a low or high exchange value of the rupee affects the profit on mercantile transactions, may be treated very concisely, thus—merchants, being *voluntary* agents, and under no *compulsion* to export or to import unless they see their way to a margin of profit, make their calculations (or ought to do so) on each transaction; in doing so, they take into account all the items that make up the cost of their shipment or indent; one of those items, especially in Anglo-Indian commerce, is that of exchange; that being duly taken into account, whatever it be, 1*s.* 3*d.* or 2*s.*, it makes no difference on their margin of expected profit, any more than does cartage, freight, or any other of the items that go to make up the cost of the venture.

8. It is no answer to this, to speak of the fluctuations in exchange that may occur during the process of a transaction; these relate to the usual chances of commerce, such as the rise or fall in the market price of commodities; and, as business between India and the outside world is now usually conducted under telegraphic advices, those chances are reduced to a minimum, and especially so as to the exchange rate which is embodied in the bargain each time; it is only one of the counters, and the rupee rate *is* thus fixed during each transaction.

9. This was very clearly worked out, with figures and examples, in certain letters by Mr. Dadabhai Naoroji, which appeared in the "Times" and "Daily

News" in 1886; afterwards republished (Foulger & Co., 13 Paternoster Row).

10. In the same series was one letter showing the entirely essential difference in the effect of the Government of India's remittances; these being *obligatory* and continuous, and mainly founded on conditions when the rupee was near the par of 10 = 1*l*., the lower exchange value of the rupee represents a greater strain on the Indian finances which presses on the whole Indian community.

11. Here one general remark may be permitted on public works finance. It has often been too hastily assumed, sometimes in official Minutes and despatches, that for India to borrow in England is necessarily to incur loss and additional burden. There are two cases in which this assumption does not apply: (*a*) when funds are raised from the cheap capital of Europe,—which they can be for 3 per cent. or little over,—and applied to the construction or up-keep of really productive public works, more especially water storage, which increases production and saves the enormous cost of famine relief; thus the return to the whole country and the (landlord) Government will much exceed all charges for interest and remittance. As to the latter item, there is an immediate gain—as already illustrated by the example of the railway capital,—in entirely obviating the "loss by exchange" by the sum of sterling amounts paid into the India Office Treasury. This gain can be shown, by due calculation including interest on that saving, to defray the whole cost of remitting interest during the currency of the loan; while, if these funds are wisely laid out, the profit on the whole transaction would suffice, even for the cost of repaying the loan in England. Meantime, the relief to industry and commerce in India would be felt in every direction. Even the outlay on railways up to date, though much of that has been extravagant and ill-judged, goes far, by the net traffic receipts, to keep the Indian revenues going. It is true that, as a matter of strict account, the Indian railway system entails a certain loss in cost of remittance; but such loss would not appear, were it not for the vast increase in military and other unproductive expenditure which has had most to do with the rapid growth in "loss by exchange." The other case is (*b*) that which arises when, by reason of famine or war expenditure, debt *must* be incurred. Then it is more advantageous for India that funds should be drawn from the cheap and idle capital of Europe, than that it should be raised from the scant reserves in India, at a higher rate of interest and adverse terms as to principal. If such loan were raised just now, the transaction would afford large relief in the present "loss by exchange," and this not only to the amount of the loan, but by raising the rate that the India Office would obtain for the rest of its bills.

12. Much instruction as to the financial dynamics of India may be derived from considering the apparent anomalies presented by the large figures of the period of the Mutiny and the years immediately succeeding. Amidst and after such a convulsion, and whilst such imperfect communications as then existed were so greatly dislocated, and internal trade disorganised, it might, *a priori*, be expected that the financial and economic condition of the whole peninsula would be in a dismal plight. Yet the contrary was the case. The figures of sea-borne trade rose rapidly from an aggregate of 48·89 millions in 1856 to 123·82 in 1866. It is true that in the later years of this period the figures were enhanced by the high price of cotton, and that was on both sides of the foreign trade account; but the usual drawback for India was absent; there was not only no excess of unrequited exports, but the imports actually exceeded the exports—in the year 1860 showing 11·70 millions as excess value of imports. Treasure flowed in abundantly, even reaching the normally impecunious cultivator, prices rose, trade was brisk, and active stimulation was given to enterprise in every direction. Of course, exchange was affected, so that the rupee rose to two shillings and more. Now what is the financial explanation of this monetary and industrial avatar? It is that, not only were the Council bills nearly suspended, but sterling loans raised in England were devoted directly to Indian purposes; for, though the cost of munition of war and freight was defrayed in this country, millions were expended in India in connexion with military operations and disbursements on all sides that stimulated trade and industry amazingly. The debt in England, which in 1856 stood at 50·85 millions, rose to 96·53 millions in 1863. At the same period, the railway payments into the India Office Treasury, which up to 1856 were only 9·99 millions, had, by 1863, reached 58·40, making under these two heads over ninety millions of European capital transferred to and spent in India. The railway payments rapidly went on, as already explained in paragraph 6, up to 1873, with the effect of financial relief from the pressure of the Home charges; after which, these latter increased by leaps and bounds until now, when we have on us the deluge of India's international deficit, and consequent financial destitution and monetary embarrassment.

III.

13. It will thus be seen that it must be difficult, not to say impossible, to deal with the currency system of India as can be done in the case of a self-contained and self-governing country. To check or appreciably curtail the automatic coining of silver, and to enact a gold standard, with or without a gold currency—even if certain ingenious proposals to that end could be carried through without very serious internal commercial confusion—might possibly disguise the figure of loss by exchange, but could not by one iota affect the one dominating fact in Indian finance, that a transfer of revenues or produce has to be made to this country without any monetary or commercial return. Unfortunately, our public men, and even our responsible statesmen, refuse to recognise this skeleton in the Anglo-Indian closet. But it is there, and its bony hands are making themselves felt. Public writers have drawn attention to this portentous subject, such as Mr. Dadabhai Naoroji (whose unanswerable rejoinder to Sir M. E. Grant-Duff in the "Contemporary Review," comprises the statistical evidence of the whole matter), and Mr. A. J. Wilson, who long since wrote in the "Fortnightly Review"; journalists also, such as the late Robert Knight and myself, have given line upon line of expositions of this one dominating factor in India's economic and monetary condition; but, as yet, without practical result. Probably the present currency and financial exigency may induce a few competent and influential men to look below the surface and go to the root of the difficulty. As it is, men of that class, knowing how slow the British public are to rise to the appreciation of the claims of political equity where finance is concerned, instinctively shrink from formulating those demands for sacrifice on the part of the dominant country in which alone an effectual solution can be found.

14. Amongst many other writings on this subject of the financial relations between England and India, and the effects thereof on the latter country, one may be suitably mentioned here, namely, an article on "India's "Unadjusted Trade Balance" in the December 1887 number of the "Political Science Quarterly" (New York: London, Henry Frowde, Amen Corner). In this the facts of the foreign trade of India are set out on the principle laid down by Dr. R. Giffen in his essay on the proper use of Import and Export Statistics. This had, indeed, often been done before by the three writers already named; but the special reason for referring to this article is, that in it are set out two extracts from writers whose authoritative dicta distinctly define the depressing and impoverishing effect of obligatory payments made by a subject to a dominant country, for which there is no commercial return. One of these is by Major Wingate, R.E., who, as one of the founders of the Bombay Revenue Survey, was closely and directly acquainted with the effect produced on the cultivators and the people generally, by the withdrawal from the country of funds or produce instead thereof, which is spent on the other side of the globe without return or monetary compensation. He went further, and pleaded earnestly on behalf of financial equity being applied to the case in a manner presently to be mentioned. The other extract in the article here referred to is a quotation from the concluding paragraph of J. Stuart Mill's chapter on "The "Distribution of the Precious Metals." In this passage that clear-sighted economist, characterising this class of obligatory payments as "tribute," proceeds to demonstrate that the effect of these withdrawals is to inevitably depress prices and profits in the subject country, and *per contra* raise them in the dominant country. Mill does not then mention India; but his abstract reasoning is all the more telling, as we trace its exact fulfilment in the impoverishment of India, aggravated of late years by the magnitude of the tribute which has brought about the ruinous "loss by ex-"change," as indicated in the fall in the gold value of the rupee. At the time these men wrote, the "tribute"

paid by India was trifling compared with its figure at the present time, which appals all who have the insight to see what is meant thereby.

15. One consideration is constantly being overlooked when it is said, as generally admitted, that prices in India have not appreciably risen since the heavy fall in silver, and in the exchange value of the rupee, has occurred. This is contrary to the axioms of monetary science, it being assumed that, as the circulating medium is cheaper, it must have flowed into the country so as to raise prices rapidly and largely. The late Bonamy Price, in a discussion with the present writer, insisted on this axiom very strongly, and could not understand why prices had not gone up, or why capitalists did not rush silver into India, to take advantage of the presumed large profit in coining it there (he forgot that they have to get the proceeds back again). The explanation is, that silver has *not* gone into India in proportion to the fall in its gold price, because its flow has been *superseded* to so large an extent by an increased supply of Council bills; as *see* paragraph 6, and Mr. Goschen's Report of 1876.

The broad fact, that the cause of prices *not* having risen in India in accordance with the cheapness of its currency standard metal is that the natural flow of silver has been checked by the extraneous financial demand represented by the increase in Council bills, is strikingly shown by comparison, in these two respects, between the eleven years ending 1872 and the similar period ending 1883, as thus set out:—

Council Bills drawn from 1862 to 1872 (both inclusive) - -	Rs. 71,61,56,776
Council Bills drawn from 1873 to 1883 (both inclusive) - -	175,40,45,677
Annual average of former period -	6,51,05,160
" " latter period -	15,94,58,098
Net imports of treasure during corresponding periods, 1862–72 -	£159,660,000
Net imports of treasure during corresponding periods, 1873–83 -	82,190,000
Annual average of former period -	14,510,000
" " latter period -	7,460,000

As it is only silver that affects *currency* and *prices in* India, the gold included in the total of net imports of treasure does not count in this particular comparison, which is therefore all the more striking.

IV.

16. The question remains, what can be done towards alleviating this intolerable pressure on India's resources, and by so doing raising the exchange value of the rupee, which would be the surface indication of some recovery in her industrial and commercial condition? There is, first, the direct financial method in some large and determined reduction of the present extravagant military expenditure, due to a wantonly aggressive policy followed during the last fifteen years, and which has largely increased the "loss by exchange;" but, as that rests with political authorities, it cannot be discussed here.

17. Next, there is one method of detail, in the firmer and more business-like management of the Secretary of State's current financial transactions. He is the largest dealer in silver, and as such could to a certain extent control the market. Instead of that, the practice of the India Office has long been to weakly follow the market, instead of leading it, and to offer its bills, without stint or discrimination, to the lowest bidder or speculator. This suits the City, while there seems no one at the India Office to stand up against that influence, on behalf of the Indian revenue and taxpayer. The City broker says, in effect, "the Secretary of "State must sell his bills, so we will give as low a "rate as we can get them for." The answer to this is, that, though the whole of the year's drawings have to be made according to the Budget, the India Office is *not* compelled to sell any particular amount in any week or month, whereas the merchant or banker *must* make his purchases for remittance at the dates that are due. Thus, so long as the Secretary of State keeps a considerable cash balance—often larger than there is any need—he can hold back portions of his drafts and decline to sell under a minimum, which should always be above the parity of silver. On some occasions when this attitude has been taken by the India Office, the price of the rupee has stiffened and a higher rate has been obtained. Although there is necessarily a limit to this course, it could be adopted to such an extent as would make a considerably better result on the enormous sums which the Secretary of State has to sell for remittance.

18. After all, the one effectual and permanent remedy is, that the British Treasury should sustain, as proposed by Wingate 40 years ago, some appreciable portion of the Home charges, which represent the cost of that control over India and its resources that has yielded to the United Kingdom millions on millions of national wealth, to say nothing of political prestige. With one notable exception, England has not contributed a single pound to the cost of maintaining her sway over the weak and dependent country, though she has spent millions on her Colonial Empire. Every consideration of political equity and even enlightened self-interest, prompts to this course, and there is yet time to act for virtue's sake before compelled by necessity. The announcement of a contribution of from two to four millions annually from the British Treasury to this truly Imperial object would at once relieve the present tension, the crushing cost to India of its obligatory remittances would be largely reduced, and there would be hope for the prosperity of that country, so that the currency difficulty, if such there really be, could be dealt with deliberately, and without incurring such unmanageable risks as are comprised in many of the rash and some desperate proposals of the present hour.

W. M. W.

LETTER from Mr. WOODHOUSE to the Right Honourable the LORD HIGH CHANCELLOR OF ENGLAND, the LORD HERSCHELL.

16, Lichfield Road, Cricklewood,
London, N.W.
23rd November, 1892

MY LORD,

YOUR Lordship is so well known as an expert in Indian currency matters, that I venture most respectfully to submit the following remarks (the result of much discussion with others interested in the matter) for the favour of your Lordship's consideration in connexion with the Conference now sitting.

1. I am a creditor of the New Oriental Bank Corporation, Limited, which bank's private Bill in Parliament, for the issue of silver capital, was not long ago passed by your Lordship's house.

2. Owing to the general discredit caused by the so-called Baring crisis, the bank was not able to take full advantage of the powers obtained by the Act to raise silver capital, and in June last the Bank suspended payments and put itself into voluntary liquidation.

3. At the first creditors' meeting the liquidator held out hopes of resuming business at an early date, and I, for one, was glad to think that there was only to be so much "winding-up" as would set the clock going again.

4. Reconstruction, however, seems to be out of the question, now that the scarcity of real current money has, through the general want of credit, made itself to be more felt.

(This perhaps is not to be wondered at, if it be true that the country is losing its small stock of gold at the rate of 7,000,000*l.* a year. Mr. Childers told us in 1884 that there was 120,000,000*l.* of gold coin in the country, and last year Mr. Goschen told us we had 70,000,000*l.* gold coin left. At this rate all our gold will be gone from us in 10 years more, unless we set our neighbours the example of using some silver.)

5. The main causes for the Bank's suspension are said to be:—

(*a.*) The speculative character of all trade with India and China, now that the fluctuations in silver render it impossible for merchants to forecast, even for 24 hours, the value in sterling of the rupee or dollar, and *vice versâ*.

(*b.*) The depreciation of the silver rupee and dollar in which the Bank's capital and sterling deposits had, from the nature of its business, to be employed.

(*c.*) The heavy withdrawals of deposits during the last twelve months from Eastern firms working with borrowed sterling money, as well as from all the Eastern banks, in consequence of the alarm of depositors in Scotland and England at the continual fall in the sterling value of the rupee and at the failures caused thereby in the Eastern trade.

6. Now I venture most respectfully to submit for your Lordship's judgment, whether it would not be possible to permit of the Bank's creditors in this country, like those abroad, being paid their dividends from the

liquidation in rupees instead of sterling, "dividends in specie" rupees being the specific assets of the Bank?

7. Secondly, I would ask whether it would, as the law now stands, not be possible to allow the Queen's rupee to circulate in this country as a two-shilling piece, even to a limited extent like the florin. The rupee contains more pure silver than the florin, and no public objection need be feared to its proclamation, I should imagine.

8. Thirdly, I would ask whether, as the law now stands, there is anything to prevent the Indian Government paying its servants and pensioners resident in this country in rupee notes, if the public here choose to accept them. If there be no objection, the Indian Government's notes ought certainly to acquire and enjoy as good credit as the notes of many a small English country bank.

9. My reason for putting forward these queries, and my apology for doing so at the present time, are as follows.

10. The liquidator of the New Oriental Bank has publicly stated that the assets of the Bank, which are chiefly in rupees, now worth, say, 15*d.* each, cannot be relied on to pay, in all, dividends of more than 15*s.* in the pound, though they may realise 16*s.* to 17*s.* in the pound.

11. It would seem therefore fair to suppose that, if the Government would *tacitly* permit the introduction of the rupee here in place of the florin (as they did for a long time with the French penny), or *officially* sanction it (as they did with the Spanish dollar about 70 years ago), not only might the assets of the Bank pay 24*s.* in the pound, but many public troubles might be averted this winter, such as the continuance of the Lancashire Strike, and the impending want of employment for the working classes through lack of trading and farming capital and enterprise.

12. Any loss occasioned to our Mint by the use of the rupee here might well and willingly be made good by the Indian Government, in consideration of the advantage it would obtain by paying its home disbursements in rupees at two shillings each. The simplest form of compensation, and the best for India, would be to make the Indian mints branches of our Royal Mint.

13. The India Office might have a banking department in London for the issue and encashment of its notes of 5, 10, 50, and 100 rupees (if, as is probable, the Bank of England saw difficulties in the way of issuing its own notes against deposits of silver and having perhaps to meet the notes in gold, a difficulty that could not arise if the Indian Government issued its notes here through the India Office). The Oriental Bank's premises in Threadneedle Street could no doubt be rented with the vaults, and would form a suitable place for the storage of the rupees and for the issue of Indian Government notes against them, as well as for the payment of pensions to retired Indian officials in Indian Government notes.

14. If the public were willing to make use of Indian Government notes, there would not probably be much difficulty in proclaiming them legal tender.

I have, &c.
J. STANLEY WOODHOUSE.

PETITION of the INDIAN ASSOCIATION to the HOUSE OF COMMONS.

The humble petition of the Indian Association, consisting of the main and the branch and affiliated associations established all over India, respectfully showeth,—

1. That your petitioners have learned with deep concern that the members of the Indian Currency Association, lately established at Simla and Calcutta, and the British officers of Her Majesty the Empress of India, serving in or connected with India, have lately applied to your honourable House for establishing a gold standard in India with the consequent stoppage of free coinage of silver in India.

2. That your petitioners submit and trust that, while they do not overlook the difficulties caused by the falling value of the rupee in relation to gold to Her Majesty's servants serving in or connected with India, specially those in receipt of moderate salaries, no measure may be adopted by Her Majesty's Government for the amelioration of their grievances which will throw additional burden on the people of India, including the domiciled Europeans, and create unnecessary difficulties for the various agricultural, planting, and manufacturing interests of India; and they pray that Her Majesty's Government will not introduce any change in the present currency system of India, without taking into consideration the interests of the people of this country.

3. That your petitioners have learned that the Indian Currency Association is urging the Government of India, and it appears from its reply to the Darjeeling Planters' Association, and dated the 12th of October 1892, and from the reply given by the Viceroy to the addresses from the combined Planting Associations of Mysore, and from the planters of Coorg, on the 12th of November 1892, and from other public utterances of the Government of India, that the Government of India is anxious to establish a gold standard in India by closing the Indian mints to the free coinage of silver, and thereby to raise and fix, if possible, the exchange value of the rupee in relation to the sovereign. Your petitioners submit that at present India and the United States of America are the only largest consumers of silver, and that, if the Government of India stops free coinage of silver, it is only too probable that the United States, which have failed to raise the price of silver, in spite of purchasing 54,000,000 ounces of silver every year, will stop any further purchase of silver, and that, in consequence, silver will fall still further in relation to gold, and that silver, which has yet depreciated but very little, if at all, will depreciate in relation to commodities, and that a great difference in value between the rupee and uncoined silver of the same quantity will follow.

4. That your petitioners are aware that it has been proposed to stop coinage of silver on account of private persons, but that the Government will continue to coin silver as much as it likes, and thus the demand for silver for coinage will remain the same as before; but your petitioners submit that, if any attempt be made to raise the value of the rupee, at present based on the free coinage of silver, it will be necessary to stop or limit the total coinage of silver, as the value will depend on the total quantity in circulation, and that it will not make any difference in the result as soon as rupees coined, whether on account of the Government or private persons, are available for purposes of circulation, for the monopoly of coinage will not give to the rupee any value the Government pleases unless the rupee is made absolutely scarce. Your petitioners, therefore, further submit that, owing to the stoppage or limitation of coinage, all the savings of the people held at present in uncoined silver in the shape of ornaments or otherwise that are used by them in times of hardship will become of less value, and thus a grave injustice will be done to the people; while the rupee, supplemented here and there by illicit coins, will form the inconvertible token coinage of the country, changing in value from time to time and place to place, and thereby burdening the entire people with uncertainties of exchange in all their daily internal transactions such as are now experienced in the foreign commerce of this country with gold standard countries.

5. Your petitioners submit that, out of the total Indian produce now annually exported from India, about seven-tenths thereof represent the real commerce of the country and are exported in exchange for the total imports, and that the remaining three-tenths (which is the present surplus of Indian exports over her imports) represent the remittances made by the Government of India and Anglo-Indian officials and others to England, meeting the annual foreign obligations of India; that this surplus produce of India will be continued to be sent abroad solely in consequence of remittances made from India, whatever be the value of the rupee or of the Indian commodities in relation to gold, but that the quantity of the surplus export will depend on the gold value the Indian commodities may fetch abroad, and on the amount of the foreign obligations of India. As regards the other seven-tenths of Indian export, your petitioners further submit that, if the rupee be raised in value artificially in relation to gold, the prices of Indian commodities will be raised abroad, as it will take some years to adjust the wages and the retail prices prevailing in this country; and, while the import trade may be correspondingly benefited, it will lead to serious complications in the foreign trade of the country, until the imports again balance the exports made on account of trade by a fall in the value of the commodities exported. Your petitioners further submit that, in the meantime, the tea industry of this country, which has just gained an ascendancy over the tea industry of China, after a prolonged trial, and the cotton industry, which has just developed in Bombay, will undergo serious competition at a dead loss in China

and Japan, the principal marts for Indian cotton goods, which have also recently commenced their own spinning and weaving industry, and where the depreciated silver will continue to form the standard of the currency. . . . . Your petitioners submit that, while the immediate result of the stoppage of free coinage will be a disturbance in the foreign commerce and internal transactions of the country, the ultimate result will be a general fall in prices in this country. Your petitioners further submit that, while there is so much agitation on account of the fluctuating exchange, as affecting the Indian trade, the total imports and exports of India have gradually risen from Rx. 34,496,995 and Rx. 55,329,772 in 1872-73 to Rx. 73,546,496 and Rx. 109,883,124 respectively in 1891-92 (exclusive of silver), which shows that fluctuating exchange has not materially affected the foreign trade of India.

6. Your petitioners submit that, while the income of the bulk of the population of India, who depend directly or indirectly on the produce of land, will diminish, their expenses, the rents, taxes, and wages, will continue nearly the same as before for some years to come, and that the debts incurred in rupees, in which a great majority of the peasantry and the lower classes of the people are at present immersed, will become more burdensome owing to the artificial appreciation of the rupee.

7. Your petitioners submit that during the last five financial years India imported on an average Rx.10,522,125 net worth silver, by far the greater portion of which has been coined into rupees. The rupees thus coined or the currency notes issued in exchange for bullion tendered by the Paper Currency Department of India go to the local banks, and form the nucleus of capital seeking fresh investment in this country. This is the cause attributed by the Government of India in its reports issued from the Paper Currency Department for the low rate of interest lately prevailing in India for some time. Eminent political economists have also held that, during the process of the appreciation of the currency, the rates of interest may harden up owing to the reduction in the currency available. It, therefore, follows that, as the imports of silver will diminish, owing to the stoppage or limitation of silver coinage, the rates of interest and discount will rise, and will thus throw additional difficulties in the way of Indian trade and commerce, and thus interfere with the material prosperity of the masses.

8. Your petitioners beg to observe that the chief ostensible ground shown for the agitation to close the free coinage of silver is that the Indian Government suffers at present enormous losses in its remittances to the Secretary of State. Your petitioners submit that the expected saving owing to the depreciation of the rupee will be more than swallowed up by the deficiency in the total receipts of the Government as soon as the free coinage of silver is stopped; for, the Government of India being the greatest landlord in India, and the largest part of the receipts of the Government arising from the land revenue (Rx. 24,000,000), the receipt from the income of land, as in the case of private landlords, is sure to diminish; the price of opium measured in rupees will fall; the proceeds of several taxes and imposts (such as income-tax, the stamps, cesses, &c.) are also likely to fall; and it is a matter of question as to whether the Government will be placed in a better or worse position after the stoppage of coinage.

9. Your petitioners further submit that this very measure (closing the Indian mints against private silver) was once recommended to the Indian Government by the Bengal Chamber of Commerce, in accordance with its resolution passed on the 15th of July, 1876. The Government of India, in its reply dated the 9th day of February, 1877 (Financial Department), to the Bengal Chamber of Commerce, made, amongst others, the following observations:—

"8. The value of no substance can serve as a standard measure of value unless its use as the material of legal tender currency is freely admitted. If, therefore, the free coinage of silver on fixed conditions were disallowed in India, silver would no longer be the standard of value of India, but another standard would be substituted, namely, the monopoly value of the existing stock of rupees tempered by any additions made to it by the Government or illicitly. If no such additions were made, the value of the rupee will gradually but surely rise.

"9. The stamp of a properly regulated mint, such as the Indian mints, adds nothing except the cost of manufacture and seignorage to the value of the metal on which it is impressed, but only certifies to its weight and purity.

"10. A sound system of currency must be automatic or self-regulating. No civilised government can undertake to determine from time to time by how much the legal-tender currency should be increased or decreased, nor would it be justified in leaving the community without a fixed metallic standard of value, even for a short time. It is a mistake to suppose that any European nation has rejected silver as a standard of value without substituting gold."

Your petitioners submit that no explanation has yet been offered by the Indian Currency Association, or any one else, with reference to the difficulties suggested in the last paragraph of the remarks of the Government of India which have just been quoted.

10. Your petitioners are aware that the examples of France and Java are held out by the President of the Indian Currency Association as arguments in favour of the stopping of free coinage of silver. Your petitioners submit that in France both gold and silver were in circulation as currency, and that, owing to the demand for silver in India, the currency of France, by the end of the year 1866, consisted almost entirely of gold coins, and that subsequently, owing to the demonetisation of silver by Germany in 1872, France stopped coinage of silver from 1874; and now, by the end of 1891, the total gold and silver in circulation as currency are estimated at 187,500,000*l.* and 145,833,000*l.* respectively; the silver coins circulating in France have become only token coins, but the principal transactions and the foreign commerce of France are conducted in gold. It is because France holds such a large quantity of gold in currency, and the credit of France stands on a high footing, that she is able to circulate such a large quantity of silver coins. On the other hand, India does not hold any reserve in gold currency, and is comparatively a very poor country. To maintain the silver currency of India on a gold standard will require a very large quantity of gold, the cost of which the Indian Government is not in a position to incur.

As regards Java, she has got no separate mint, and the same currency system prevails both in Holland and her foreign territories, the Dutch coins being imported into and exported from her foreign territories according to circumstances. Before 1873 the single silver standard with silver currency was in vogue in Holland and her foreign territories. On silver falling in value, in relation to gold, she stopped her silver coinage, and the result was that her silver coins rose in value; but her transactions with foreign countries became unsettled and dangerous owing to the fluctuations of her silver coins, her balance of trade was threatened, the commercial community took fright, and, in consequence, her mint was opened in 1876 to gold, and a gold standard established, and since then her currency consisted of gold coins with the former silver coins used as token coins. The relation between Holland and her foreign territories as regards the currency is very different from that prevailing between England and India, and therefore a similar result cannot be expected to follow in the case of India on the stoppage of her free coinage of silver. Moreover the population of Holland and Java is insignificant in comparison with that of India. The internal condition of Java and her foreign trade, as described by Mr. Van den Berg, the President of the Bank of Java, &c., is in a very bad condition. At the end of 1891 Holland was supposed to hold 5,208,300*l.* and 13,541,700*l.* in gold and silver respectively; while India has no gold at all, her total silver coins in circulation are estimated at 187,500,000*l.* Your petitioners therefore submit that the examples of France and Java afford no sufficient guide or encouragement to the Indian Government to undertake to establish a gold standard.

11. Your petitioners submit that the only persons who will gain by the proposed modification in the Indian standard of currency will be the Anglo-Indian officials serving in or connected with India, and the creditors of India who hold the promissory notes of the Indian Government issued in rupees, the great majority of whom are foreigners. Your petitioners submit that, apart from a consideration of the present general fall in prices in England and of the comparatively greater conveniences and cheapness of the passage from England to India, and *vice versâ*, &c., now enjoyed by the Anglo-Indian officials, and considering the poverty of the country and the low level of wages prevailing in India (due in a great measure to her foreign indebtedness) in comparison with that prevailing in England and the continent of Europe, the

pay, pension, and other emoluments drawn by the Anglo-Indian officials at present are sufficiently high not to require any further adjustment on account of the low exchange value of the rupee. Your petitioners further submit that, if the proposed change in the Indian standard of currency be carried out, a further ultimate fall in the wages level prevailing in India is likely to ensue, and thereby a further injustice will be done to the people of this country, while the officials will be further benefited by the general fall in the level of prices in India. Your petitioners, moreover, submit that, by the artificial raising of the value of the rupee, a perpetual temptation will be held out to the poor people of the country, and that precautionary measures and prosecutions will be rendered necessary to maintain the value of the rupees, requiring the Government to incur further unnecessary costs thereby.

12. Your petitioners are aware that, owing to the rupee falling in value in relation to gold, the Government of India has been put to serious difficulties to meet the bills drawn by the Secretary of State for India against India every year; but your petitioners submit that, by the proposed modification in the Indian standard of currency, the Government of India will not be placed in a better position at all, as the saving that may be effected in the remittances made to the Secretary of State at present is likely to be more than swallowed up by the deficiency in the total receipts of the Government; that the only way to improve the financial position of the Government of India lies in the greater economy in the military expenditure of the Government of India, in the reduction of gold obligations of India (including the purchase of the Government stores in India with Indian currency, &c.), in the greater employment of the people of this country in place of the Anglo-Indian officials, consistently, of course, with the maintenance of the supremacy of the British Government in India, and, if necessary, by the imposition of a small import duty on all articles imported into India which are neither produced nor required by the mass of the population of India nor for the development of the country.

13. Your petitioners lastly submit for the consideration of your honourable House the accompanying memorandum* on the silver question, drawn on behalf of the Indian Association, in which the most important points connected with the present agitation on the silver question have been discussed.

Wherefore your petitioners pray that your honourable House will be pleased to direct that the Indian mints be not closed against the free coinage of silver.

And your petitioners, as in duty bound, shall ever pray.

RAJENDRANARAYAN,
President.

SURENDRANATH BANERGRA,
Honorary Secretary.

MEMORIAL of the INDUSTRIAL ASSOCIATION of WESTERN INDIA, 1892.

To the Right Hon. Lord HERSCHELL, the Lord High Chancellor, and Chairman of the Indian Currency Committee.

MAY IT PLEASE YOUR LORDSHIP,

YOUR memorialists have learned with unfeigned delight, through the public press, that a Committee, of which your Lordship is President, has been appointed by Her Majesty's Government to inquire into the working of the Indian Currency Acts, and to advise the Secretary of State for India regarding them.

2. Your memorialists, believing that an unstable rate of exchange is disadvantageous to this country owing to the speculation thereby imported into trade with foreign countries, and to the discouragement afforded to the legitimate employment of British capital in India, rejoice to learn that such an inquiry is about to take place.

3. Your memorialists are prepared to welcome any legitimate relief that may be suggested in order to minimise the losses suffered by those who, while earning fixed rupee salaries in India, have to remit large sums to England for the education of their children.

4. They, however, cannot conceal their alarm at some of the proposals commonly advanced in influential quarters for the remedy of those evils, or at the arguments urged in their support.

Thus, it is well known that the Government of India is being urged to sustain the gold value of the rupee artificially, by closing the mints to the private minting of silver money. And one of the chief reasons alleged for this departure from long established practice is, that Government may be saved from further loss in the sale of its Council bills.

5. Whether the proposed remedy is adequate to suppress the evils under which the Indian currency system is assumed to be labouring, your memorialists dare not pretend to say. But they are fairly entitled to say that, if the cessation of private minting causes a fall of prices of agricultural produce, the effect upon the producing agricultural classes may be disastrous.

6. The steadiness, and even the rise, of rupee prices and wages in India, concurrently with the fall of gold prices and exchange, during the past 20 years, is a very remarkable feature of the situation to which the attention of your Lordship's Committee cannot fail to be directed. Such a feature may be well understood to justify an inference in favour of a considerable improvement in the position of the peasant proprietary of India during the last 20 years.

The heavy inherited immemorial burden of ancestral debt of the Indian peasant cultivators is another and older feature, concerning over 90 per cent. of the tax-paying population, which cannot escape your Lordship's observation and the consideration of your Lordship's Committee.

7. Your memorialists observe that the large volume of the gold obligations of the Government is advanced to justify a departure from free trade in rupees. But they humbly suggest that the silver obligations of the peasantry are twenty-fold greater and more important than the gold obligations of the Government, so that, while removing a minor evil, a greater one of the same nature, but the results of which it is quite impossible to foretell, would be substituted.

During the last 20 years the burden of the obligations of the peasantry appears to have pressed more lightly on them, a favourable result which your memorialists consider has been due to the operation of an expanding export trade, in which India has had the advantage of an unrestricted supply of cheap silver.

8. Your memorialists beg your Lordship's pardon for trespassing on your Lordship's time; but, if the subject matter of this petition be fully considered by your Lordship's Committee from the point of view suggested by your memorialists, they feel sure that the advantages of cheap silver will be made manifest, and the danger and hardships likely to be entailed by restricting its supply will once for all become clear to the Secretary of State.

And your memorialists will ever pray.

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* Not printed.

INDIAN CURRENCY.

FURTHER PAPERS:

CORRESPONDENCE AND PROCEEDINGS

OF THE

GOVERNMENT OF INDIA.

Presented to both Houses of Parliament by Command of Her Majesty.

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No. 1.

TELEGRAM from the VICEROY to the SECRETARY OF STATE FOR INDIA,

Simla, June 26, 1893.

COUNCIL has passed an Act which takes effect at once to carry out plan recommended by Lord Herschell's Committee. Act provides for close of Indian mints to free coinage of silver from and after date of passing. Arrangements will be made to issue rupees from the mints in exchange for gold and sovereigns at the rate of sixteenpence per rupee until further notice, and to receive sovereigns and half-sovereigns at public treasuries in payment of Government dues at the same rate. It is intended to introduce a gold standard into India, but gold will not be made legal tender at present.

No. 2.

The GAZETTE of INDIA EXTRAORDINARY, Simla, Monday June 26, 1893.

LEGISLATIVE DEPARTMENT.

Simla, June 26, 1893.

The following Act of the Governor-General of India in Council received the assent of his Excellency the Governor-General on the 26th June 1893, and is hereby promulgated for general information.

ACT No. VIII. of 1893.

AN ACT to amend the Indian Coinage Act, 1870, and the Indian Paper Currency Act, 1882.

WHEREAS it is expedient to amend the Indian Coinage Act, 1870, and the Indian Paper Currency Act, 1882; it is hereby enacted as follows: XXIII. 1870. XX. of 1882.

Title and commencement.

1.—(1.) This Act may be called the Indian Coinage and Paper Currency Act, 1893; and

(2.) It shall come into force at once.

Repeal of existing enactments.

2. The enactments specified in the schedule hereto shall be repealed or modified to the extent and in the manner mentioned in the third column thereof, but no such repeal or modification shall affect anything already done or any right or obligation heretofore acquired or undergone under the said enactments or any of them.

THE SCHEDULE.

Number, Year, and Short Title.	Sections.	Extent of Repeal or Modification.
Act XXIII. of 1870 (the Indian Coinage Act, 1870).	19 to 26, both inclusive.	The whole to be repealed.
Act XX. of 1882 (the Indian Paper Currency Act, 1882).	11	Clause (*b*), clause (*d*), and the proviso to be repealed.
	12	The word and letter "clause (*b*)" to be omitted.
	13	The words "to an extent to be specified in the "order not exceeding, one-fourth of the total "amount of issues represented by coin and "bullion as provided by this Act" to be omitted.
	14 and 15	The whole sections to be repealed.
	21	For the proviso to sub-section (1) the following shall be substituted :— "Provided that any coin or bullion so received and appropriated may be sold or exchanged for gold or silver coin of the Government of India of the like value, which shall be so appropriated and set apart instead of the coin or bullion sold or exchanged."
		Sub-section (2) to be repealed.
	28	Sub-section (1), clause (*f*), to be omitted.
		Sub-section (3) to be repealed.

S. HARVEY JAMES,
Secretary to the Government of India.

No. 3.

FINANCE AND COMMERCE DEPARTMENT.

NOTIFICATIONS.

ACCOUNTS AND FINANCE.—MINT.

No. 2,662.

Simla, June 26, 1893.

The Governor-General in Council hereby announces that, until further orders, gold coins and gold bullion will be received by the mint masters of the Calcutta and Bombay Mints respectively in exchange for Government rupees, at the rate of 7·53344 grains troy of fine gold for one rupee, on the following conditions:

(1.) Such coin or bullion must be fit for coinage.

(2.) The quantity tendered at one time must not be less than 50 tolas.

(3.) A charge of one-fourth per mille will be made on all gold coin or bullion which is melted or cut so as to render the same fit for receipt into the mint.

(4.) The mint master, on receipt of gold coin or bullion into the mint, shall grant to the proprietor a receipt which shall entitle him to a certificate from the mint and assay masters for the amount of rupees to be given in exchange for such coin or bullion payable at the General (Reserve) Treasury, Calcutta or Bombay. Such certificates shall be payable at the General Treasury after such lapse of time from the issue thereof as the Comptroller-General may fix from time to time.

No. 2,663.

In supersession of the notification by the Government of India in the Financial Department, No. 3,287, dated the 28th October 1868, which is hereby cancelled, the Governor-General in Council is pleased to direct that, from and after the date of this notification, sovereigns and half-sovereigns of current weight coined at any authorised Royal Mint in England or Australia shall be received in all the treasuries of British India and its dependencies, in payment of sums due to the Government, as the equivalent of fifteen rupees and of seven rupees and eight annas respectively.

ACCOUNTS AND FINANCE.—PAPER CURRENCY.

No. 2,664.

June 26, 1893.

In exercise of the powers conferred by the Indian Paper Currency Act, 1882, as amended by the Indian Coinage and Paper Currency Act, 1893, and of all other powers enabling him in this behalf, the Governor-General in Council is pleased to direct that currency notes shall be issued by the Head Commissioner of Paper Currency, Calcutta, and by the Commissioner of Paper Currency, Bombay, on the requisition of the Comptroller-General, in exchange for gold coin or gold bullion, at the rate of one Government rupee for 7·53344 grains troy of fine gold. Sovereigns and half-sovereigns of current weight coined at any authorised Royal Mint in England or Australia shall be taken as the equivalent of fifteen rupees and of seven rupees and eight annas respectively.

J. F. FINLAY,
Secretary to the Government of India.

No. 4.

LEGISLATIVE DEPARTMENT.

ABSTRACT of the PROCEEDINGS of the COUNCIL of the GOVERNOR-GENERAL of INDIA, assembled for the purpose of making Laws and Regulations under the Provisions of the Acts of Parliament 24 & 25 Vict. cap. 67, and 55 & 56 Vict. cap. 14.

The Council met at Viceregal Lodge, Simla, on Monday, the 26th June 1893.

PRESENT:

His Excellency the Viceroy and Governor-General of India, G.C.M.G., G.M.S.I., G.M.I.E., presiding.

His Honour the Lieutenant-Governor of the Punjab, K.C.S.I.

His Excellency the Commander-in-Chief, K.C.B., G.C.I.E., V.C.

The Hon. Sir P. P. Hutchins, K.C.S.I.
The Hon. Sir D. M. Barbour, K.C.S.I.
The Hon. Sir A. E. Miller, Kt., Q.C.
The Hon. Lieutenant-General H. Brackenbury, C.B., R.A.
The Hon. Sir C. B. Pritchard, K.C.I.E., C.S.I.
The Hon. J. L. Mackay, C.I.E.
The Hon. A. S. Lethbridge, M.D., C.S.I.
The Hon. W. Mackworth Young, C.S.I.

NEW MEMBER.

The Hon. Mr. Young took his seat as an additional member of Council.

INDIAN COINAGE ACT, 1870, and INDIAN PAPER CURRENCY ACT, 1882, AMENDMENT BILL.

The Hon. Sir David Barbour said:—"I have an important Bill to introduce which affects the Indian monetary standard; and as it is essential that the Bill should, if approved, be passed at the present sitting of this Council, I beg that the standing orders may be suspended."

His Excellency the President declared the rules to be suspended.

The Hon. Sir David Barbour said:—"I now move for leave to introduce the Bill, which is intended to amend the Indian Coinage Act, 1870, and the Indian Paper Currency Act, 1882, with the object of altering the Indian monetary standard from silver to gold. It is not intended to do more at present than stop the free coinage of silver at the Indian mints, and, as a provisional arrangement to provide for the issue of rupees at those mints in exchange for gold at the rate of 1*s.* 4*d.* per rupee. The making gold coins legal tender, the settlement of the permanent rate of exchange between gold and the silver rupee, and the other measures necessary for the final and effective establishment of a gold standard in India, will be provided for by future legislation and in the light of future experience.

"If it had fallen to my lot to introduce this Bill some twenty years ago, I have no doubt that it would have been received with some surprise, and would have met with considerable opposition. It certainly would have been necessary for the mover of such a Bill to explain at great length the nature of a monetary standard, the dangers which might be expected if India maintained the silver standard, and the advantages to be gained by substituting gold for silver, and it would have been difficult at that time to have brought forward arguments in support of so momentous a change which would have commanded general assent.

"The events of the last twenty years and the discussions to which they have given rise have, however, greatly simplified my task. We are only too familiar with the evils from which we have suffered in recent years, and the gloomy prospects before us, if we retain the silver standard, are fully recognised.

"Nevertheless, the question of the monetary standard is surrounded by so many difficulties, and the change which it is now proposed to make will have such far-reaching results, that I must trespass on the patience of the Council, while I review, as briefly as may be, the history of the use of the precious metals as money, and show in what way, and under what circumstance, we have arrived at our present position; what lies before us if we retain the silver standard; and why it is that Her Majesty's Government and the Government of India have come to the conclusion that we must attempt the formidable task of altering the Indian monetary standard from silver to gold.

"Very many articles have been used as the standard of value in different countries and at different times, but for reasons which will be found in any work on Money, and which I need not enumerate, gold and silver were soon discovered to be the best materials for use as a standard of value and medium of exchange in countries which had any pretensions to civilization, and they came to be known, in a special sense, as the precious metals. There is no doubt that in the first instance they passed from hand to hand by weight, as they still do in many parts of China.

"In countries where both metals circulated in this manner trouble and confusion arose, as they have arisen in the present day, from variations in the relative value of the two metals. The rulers of such countries found it necessary to declare the ratio of exchange at which gold and silver would be received in payment of taxes or tribute. The ratio which was declared was not an arbitrary ratio, but was approximately the market ratio of the day, and the object of declaring it was to prevent disputes between

the persons who collected taxes and those who paid them, and no doubt, also, to get rid of the risk of fraud on the part of the tax collectors. The fixing of a ratio had, as we now know, a remarkable influence under certain conditions in preventing or limiting fluctuations in the relative value of the two metals and producing comparative stability, and the practice to which I have just referred is the origin of what has been known in recent years by the somewhat awkward name of bimetallism—a system which has prevailed, in a more or less imperfect form, from the earliest times up to a very recent period.

"I shall have occasion to refer at a later period to this system of using both metals at a ratio declared by authority; but for the present I pass to the next great step in the development of the standard of value and medium of circulation, namely, the introduction of the practice of coining. I need not enlarge on the advantages which resulted from the introduction of this reform, as the convenience is obvious of having the weight and fineness of the pieces of metal in daily use as the circulating medium certified by authority.

"One invention leads to another, and from the introduction of the practice of coining and of the issue of coined money by authority sprang the idea of legal tender.

"In very early times a creditor could demand his shekel of fine silver, but subsequently he became entitled under the law only to what the ruler of the country or his officers certified to be a shekel of fine silver.

"The most valuable inventions are liable to be abused, and the invention of coined money issued as legal tender has not proved an exception to the rule. As rulers in early times were subject to little restraint, and not usually more enlightened than their subjects, they were readily induced to make a profit by certifying, as (say) a shekel of silver, a coin which contained less than the full quantity of metal. It was an easy transition from a debased coin to a coin made of a totally different metal, and from that to something which was neither coin nor metal.

"The best example of proceedings of this nature with which we are familiar in the present day is the issue of what is called inconvertible paper money, or, in other words, pieces of paper which the Government of the day declares to be legal tender, but which are not convertible into coin, and which depend for their value partly on the limitation of the quantity issued and partly on the hope that they may some day be made convertible into coin on demand.

"I have now shown that the progress towards a monetary standard, as the phrase is understood in the present day, has consisted of a few simple steps which, however, required thousands of years for their accomplishment and for the general recognition of their utility.

"Among these steps was the fixing of a ratio, or rather the declaring by authority of the existing ratio, between gold and silver with the object of facilitating monetary transactions in countries where both gold and silver money circulated. This practice had an important secondary effect in tending to maintain stability of relative value; it has only been generally abandoned during the last twenty years, and it is the abandonment of this system which has plunged us into our present difficulties in India. It is useless for us to discuss at the present time whether that change of practice was or was not a beneficial reform, or whether or not it could have been avoided. There are those who hold that the change was, or will be, beneficial, and that it was an inevitable step in the progress of the world towards a perfect monetary standard. There are others who hold that it was a rash and dangerous innovation, and that the sooner we retrace our steps the better.

"I express at the present time no opinions on this question; it is sufficient for our purpose to note the fact that the change was made; that serious consequences have flowed from it which were not foreseen; and that it has plunged India into a sea of monetary troubles.

"The Government of India have failed in their efforts to induce the great nations of the world to establish the old system, and it is not the business of practical statesmanship to waste time in vain regrets for what might have been in the past, but rather to accept the inevitable and devote attention to making the most of the present and the future. As, however, this important departure from the old system of double legal tender has had such serious consequences during the past twenty years, as the consequences of the change are not yet exhausted, and as it is this change which has led to the present proposal to alter the Indian standard from silver to gold, I consider it necessary to note, as briefly as I can, the course of events which led up to it and brought it about.

"In the middle ages the monetary standard of England was silver, and it was not till the reign of Edward III. that a successful attempt was made to put gold coins into circulation, but from that time both gold and silver coins continued to circulate in England, the ratio of exchange between them being declared from time to time by Royal authority. The legal standard of the country continued to be silver, but coins of both metals were in circulation and were frequently debased, and the ratio of exchange altered.

"What I have just said of England might, I believe, be said with equal truth of most European countries at that time. The inconvenience and loss to honest traders must have been enormous, and such as would not be borne for a day at the present time. Business was, however, conducted on very different principles from those which now prevail; the margin of profit was larger, and those who made their living by trade and commerce had to take things as they found them, since they possessed no means of applying a remedy. Our gigantic modern system of manufacture, trade, and finance would have been simply impossible under such standards of value as the traders of former times had to accept.

"Among other fallacies which prevailed in those days, it was commonly held that the wealth of a country depended on the quantity of gold and silver money which it contained. The measure of wealth had come to be mistaken for the wealth itself. It was quite a common practice for a ruler to deliberately overvalue the gold coins with the intention of attracting gold from foreign countries, and great surprise was experienced when it was found that the over-valuation of gold necessarily involved the under-valuation of silver, and that, though gold was attracted by this device, silver was exported to an equal extent, and no alteration was effected in the aggregate quantity of gold and silver contained in the country. Laws were passed against the export of both gold and silver, but such laws were, of course, easily evaded.

"It is difficult to imagine a more exasperating state of things than that under which both gold and silver circulated in different countries at rates fixed independently by the ruler of each country and altered from time to time with the object of attracting gold or silver from neighbouring countries. These evils appear to have reached their climax in England in the reign of James I. There is no doubt but that the large influx of silver from America after the year 1545 tended to lower the value of that metal, but it has always seemed to me that the great alteration in relative value which took place between 1620 and 1650 was largely due to the meddling with the legal ratio which took place in England and adjoining countries at that time. There was no such alteration in the relative production of the two metals during those years as would suffice to account for it.

"After 1660 there was no serious fluctuation in relative value down to comparatively recent times—a fact which I ascribe to the growing recognition of the futility of attempting to attract the precious metals from other countries by altering the legal ratio.

"In the reign of William III., however, events occurred which have had a most important influence in shaping the monetary policy of Europe in the present century, and which require special notice. In that reign the currency of England fell into the most extraordinary state of confusion owing to the fraudulent clipping of the silver coin, and the gold coins commanded a very high premium for a time. When the debased coins were called in and new and full-weight coins were issued in their place, great trouble was experienced in reducing the premium on guineas. This premium was gradually brought down by executive order, but the final order left the guinea overvalued as compared with the silver coins, with the inevitable result that the new and full-weight silver coins were exported, and the currency of England became gold coins, supplemented by light-weight silver coins which it was not profitable to export. The legal standard of the country continued to be silver.

"This state of things lasted till 1798, when the value of silver fell relatively to gold, and it once more became profitable to bring silver to the mint to be coined. By this time the English people had become accustomed to the use of gold, and an Act was passed expressly prohibiting the free coinage of silver. In the beginning of the present century the currency of England was composed of inconvertible and depreciated paper, and when, after the close of the great war with Napoleon, a return was made to specie payments, the legal standard of England was declared to be gold, mainly, I believe, on the ground that by their use of gold instead of silver for over 100 years the English people had shown their preference for that metal. That the people preferred gold to silver as currency at that time was probably correct, but that preference arose from their having been accustomed to use gold for over 100 years, and they were accus-

tomed to use gold because gold had been overvalued in the first instance, and not, as has been sometimes said, because they were originally so strongly attached to gold that debtors preferred to pay their debts in gold at a loss to themselves rather than use silver. There never has been in the history of the world, and there never will be, until human nature ceases to be what it is, a case in which of two sets of coins circulating side by side the dearer will drive out the cheaper.

"The formal adoption of the gold standard by England had no appreciable effect on the relative value of the two metals, because the majority of nations still adhered to the silver standard, and the system of double legal tender prevailed extensively, especially in France, where there has always been a great store of the precious metals.

"This state of things lasted till the year 1873, and, notwithstanding the great increase in the production of gold owing to the discoveries in California and Australia, the disturbance in value was comparatively slight. So great was this stability that its continued existence came to be accepted almost as a law of nature, which would never be broken; and an eminent economist—Professor Cairnes, of whom I desire to speak with the greatest respect—actually placed the following opinion on record in the year 1872:

> "'I may now say (1872) that I am disposed to assign much less importance to this question of a change in the monetary standard of India than I did when the above passage was written. The reasoning assumes the probability of a serious divergence in the relative value of gold and silver, but I now believe that such a divergence is practically out of the question.'

"I call special attention to the fact that this opinion was placed on record by one of the ablest economists of the present century in the year 1872, or, in other words, just before the beginning of those fluctuations in the relative value of the precious metals, and of that depreciation of silver as compared with gold which have brought this country within a measurable distance of bankruptcy. We can now see that in reality the position in 1872 was full of danger. Gold and silver were both used as standard money, and divided the monetary work of the world between them; for a long period there had been comparative fixity of relative value between the two metals, but the causes of this steadiness, the importance of maintaining it, and the readiness with which it could be destroyed were, practically, unrecognised and unknown.

"On the other hand, the eminence which England—the sole gold-using country of any importance—had attained in manufactures, commerce, and finance had unconsciously led many people to believe that there must be some special virtue in the gold standard; and as there seems to be a prejudice in favour of the metal which contains most value in little bulk, and gold had become relatively much more abundant than in former times, the monetary system of the world was in what may be termed a state of unstable equilibrium, and we were on the eve of changes which have produced a monetary revolution which is still in progress, and the force of which is far from being exhausted.

"We all know how the change was brought about. Germany altered her standard from silver to gold. France and the other States of the Latin Union closed their mints to silver. The United States, where the currency was for the time inconvertible and depreciated paper, abandoned the system of double legal tender, a change which had the most serious results when a return was made to specie payments.

"Other nations followed in the same direction, and in India we were suddenly brought face to face with the great currency problem in the most disagreeable form by finding that the gold prices of silver fell, while the exchange on England went down and became subject to excessive fluctuations.

"It so happened that I was employed in the Finance Department of the Government of India at the time, and my recollection is that, in the first instance, the general impression was that the mischief was due to the great Comstock Lode, which was supposed to be pouring out unlimited quantities of silver. Discussions and inquiry followed, and gradually it came to be recognised that probably the most momentous currency change that has ever taken place had been carried out with, I may say, the most complete failure on the part of the civilised world to recognise the nature of the change or to appreciate the consequences that must follow. The question has been investigated by a Special Committee of the House of Commons and by a Royal Commission. It has formed the subject of three International Conferences and given rise to a flood of currency literature. I will not say that no progress has been made in the education of the public mind, for I am satisfied that very much light has been thrown on the problem by the discussions that have taken place during the last twenty

years. But, I am sorry to say, increase of knowledge has not led to unanimity of opinion, and, what is more to be regretted, it has not led to the application of any remedy.

"The disputants may roughly be divided into two camps—those who urged that the world should return to the old system of double legal tender, and those who maintained that financial salvation was not to be found outside the pale of monometallism. The thorough-going monometallists advocated the gradual extension of the single gold standard to the whole civilised world, silver having become, in their opinion, a discredited metal, no more worthy to be treated as a standard of value than cowries or cockle shells. Another, and I believe a larger, section of the gold camp favoured the adoption of the gold standard by one-half the world, and of the silver standard by the other. The latter proposal always appeared to me to be wanting in the elements of finality. It would have left the civilised world exposed to the evils of a break of monetary gauge, and I was unable to discover any good principle on which it could be decided what countries should adopt the gold standard and what countries should adopt the silver standard, or how a country could be prevented from deserting from one standard to the other with all the attendant monetary disturbance which necessarily results from such changes.

"It was said at one time, and I believe quite seriously, that all the rich countries should choose gold and the poor ones silver. It is instructive to form a mental picture of the proceedings of an International Conference assembled for the purpose of settling the monetary affairs of the world in accordance with this remarkable principle. Unanimity of opinion would, for the first time in the history of such conferences, be secured, but it would be secured by the representative of every nation declaring that he appeared on behalf of an undoubtedly wealthy and solvent community, and one that was determined to march in the van of civilisation. If by any accident a nation could have been found willing to admit that it was too poor to enjoy the luxury of a gold standard, it would have been necessary for it, in order to maintain the currency equilibrium, to admit not merely that it was poor in the present, but that it intended to remain poor in the future, as any access of wealth at a future date would have involved the adoption of the more fashionable standard.

"For my part I have always recognised that there was no permanent halting place between a return to the old system of double legal tender and the gradual extension of the gold standard to all civilised countries.

"In the very first financial statement which I had the honour to deliver in this Council, I made the following remark:—

"'It is needless to say that the question of the future relations between the gold and silver standards is one of great importance for India. The present condition is not one of permanent equilibrium. Either there will be continuous progress in the direction of demonetising silver and substituting gold, or the world will revert to the old system of double legal tender.'

"In the twenty years during which the Battle of the Standard has raged no practical measures have been taken for the purpose of restoring the old stability of value between the precious metals, and the only measure that has been adopted with the view of maintaining the value of silver is the purchase of that metal by the United States. That country has made a great effort to maintain the value of silver, firstly, by large purchases under what was known as the Bland Bill, and latterly by still larger purchases under the Sherman Act. As it happens, the purchase of silver by the United States have latterly been contemporaneous with one of those great increases in the production of that metal of which the history of the precious metals affords several examples. The Government of India have also kept open their mints, and in recent years India has absorbed a very large amount of silver. But the crisis to which I called attention in March, 1889 has at length arrived. No international agreement has been obtained; Austria-Hungary and Roumania have definitely adopted the gold standard, and Russia is known to have accumulated large quantities of that metal. When I explained the financial position of the Government of India at the beginning of the current year, I had to point out that in two years the fall in the rate of exchange had added Rx. 4,142,000 to the Indian expenditure. Gloomy as was the account which I then rendered to this Council, I am far from suggesting that the case was hopeless if only we could have secured some stable rate of exchange. On the contrary, I am satisfied that if exchange did not fall below the very low figure taken in the Budget, or if it did not fall materially below that figure, there would have been no insuperable difficulty in the way of restoring financial equilibrium. But the really serious feature of the case was that there was no reason for hoping that exchange

would not fall below the very low figure of last March, and that there was, and could be, no guarantee against frequent and excessive fluctuations. Above all, we were exposed to the risk that the United States might suddenly cease to purchase silver. I estimate that, if these purchases were suddenly stopped, India would have to absorb a further sum of about Rx. 8,000,000 worth of silver yearly, and an additional burden of this magnitude suddenly thrown on India's trade with Europe would have a depressing effect on exchange, the extent of which it is impossible to foresee. The additional expenditure imposed on India by this cause would have brought us to national bankruptcy, or within a measurable distance of it.

"It has been urged upon me by an authority upon questions of Indian currency, and one whose opinions I highly value, that even in the case I have supposed, it would be better for India to repudiate her obligations, and accept bankruptcy rather than attempt to change her standard. That opinion I do not share, although I have been a bimetallist for years, am still a bimetallist, and am by no mean certain that the Battle of the Standard will be finally closed by any measure this Council may pass to-day, or even by the cessation of her silver purchases on the part of the United States of America. For weal or woe, India has entered the ranks of civilisation. Her territory has been opened up by railways; the progress of human invention has brought her into close and daily contact with the great countries of the West; her trade and commerce increase year by year, and the tide has so far turned in her favour that she has made a most promising beginning in the export of manufactured goods. The adoption of the same standard of value as that of the countries with which she maintains intimate financial and commercial relations, and whom she hopes to rival, is a necessity of further progress, and the discredit of national bankruptcy cannot and will not be accepted on her behalf.

"The Government of India have striven long and earnestly for such a settlement of the currency question as would leave India in possession of the monetary standard to which she has been accustomed, and they have striven unsuccessfully. In the opinion of Her Majesty's Government, the time has come to take a new departure.

"A recital of the efforts which have been made by the Government of India during the last twenty years for a settlement of the monetary question would be a dreary catalogue of repeated failures. No practical purpose would be served by recalling them to mind at the present time; but it may not be uninteresting to the general public to call attention to the recent proceedings which have led up to that decision to establish a gold standard in India which I am now explaining to this Council.

"In the beginning of 1892 the Bengal Chamber of Commerce called the attention of the Government of India to the fluctuations in the relative value of gold and silver, and, with reference to the fact that the United States had invited the different Powers to a Conference for the purpose of considering the monetary question, the Chamber urged that the Government of India should promote an International Agreement for the free coinage of gold and silver at a fixed ratio, and that, failing any such agreement, steps should be taken to have the question of a gold standard for India carefully and seriously considered by competent authorities. The Government of India practically accepted the views of the Chamber, and recommended to the Home Government, firstly, that if the United States of America or any other Government should make proposals for the holding of an International Conference for the settlement of the silver question, the strongest support should be given to those proposals; and, secondly, that if it became evident that the International Conference was unlikely to arrive at a satisfactory conclusion, and if a direct agreement between India and the United States was found to be unattainable, the Indian mints should be closed to the free coinage of silver aad arrangements made to introduce a gold standard.

"An International Conference was duly held, and the representatives of India took part in it, but no conclusions, satisfactory or otherwise, were arrived at, and no separate agreement between India and the United States was concluded. In the meantime, and before the International Conference met, a committee was appointed under the presidency of Lord Herschell to advise as to whether it was expedient that any steps should be taken to modify the Indian Currency Act. This is the Committee which has attracted so much attention in India, and which has recently made its report to the Secretary of State.

"It will be understood that the attention of this Committee was not directed to the question of the expediency or feasibility of obtaining a remedy by means of a general international agreement, or by means of an agreement between India and the United States, but solely to the question of the expediency of attempting to establish

a gold standard in India, that being the remedy which the Government of India had advocated in the last resource, and failing the other suggested remedies. The question referred to the Committee is thus stated in the first paragraph of their Report:—

'The question referred to the Committee by your Lordship is whether, having regard to the grave difficulties with which the Government of India are confronted through the heavy fall in the gold value of silver, it is expedient that Her Majesty's Government should allow them to carry into effect the proposals which they have made for stopping the free coinage of silver in India with a view to the introduction of a gold standard. And if we are of opinion that there is no sufficient ground for overruling the Government of India, but that the measures by which they propose to attain their object require modification, we are asked to offer any suggestion that we think fit for the purpose.'

"The practical measures which the Government of India had proposed for the introduction of a gold standard into India, assuming that the other suggested remedies had failed, were the following:

1st, the stoppage of the free coinage of silver at the Indian mints by legislative enactment;

2nd, the grant of power to the Government of India to declare by notification that sovereigns were legal tender in India at any rate not exceeding 1*s.* 6*d.* per rupee.

"It was not proposed that the mints should be opened to the free coinage of gold as soon as they were closed to silver, or that a ratio should be declared at once between gold and the rupee; but it was intended that the effect of closing the mints should be watched for some time, and, if it were found that the rate of exchange was rising to an extent which was injurious to the welfare of the country, that the Government should interfere at once and check the rise by declaring the sovereign to be a legal tender at a certain rate. The highest rate which the Government of India were to be authorised to declare under any circumstances was 1*s.* 6*d.* per rupee.

"The Committee discussed the question of a gold standard for India in all its bearings. Their report will be published to-day in India, and to that report I must refer those who wish for full information on the subject. They came to the conclusion that, although there are objections which possess weight to any attempt being made to introduce a gold standard into India, yet, in view of all the circumstances of the case, this is the course that should be adopted, and they proposed one modification of the scheme put forward by the Government of India. The Government of India had proposed to close the Indian mints to the free coinage of silver, to take power to declare the sovereign to be a legal tender at a rate not exceeding 1*s.* 6*d.* per rupee, and to await the result of closing the mints, and be guided by the experience thus obtained in deciding on future action.

"To these proposals objection was taken on the ground that, if the mints were simply closed and no further steps taken, there might be a sudden and considerable rise in exchange which would have injurious consequences and excite apprehension in the public mind.

"For these reasons the Committee recommended that, as soon as the mints were closed to silver, arrangements should be made for the issue of rupees at the Indian mints in exchange for gold at the rate of 1*s.* 4*d.* the rupee, and for the receipt of sovereigns at the Indian Treasuries in payment of Government dues at the rate of fifteen rupees per sovereign. These proposals have been accepted by the Government of India and approved by Her Majesty's Government, and the Bill which I now propose to introduce is intended to give practical effect to the scheme.

"The Bill which I am about to introduce provides for the closing of the Indian mints to the free coinage of silver, Government retaining the power to coin silver rupees on its own account.

"The arrangements for the receipt of gold at the mints at a ratio of 1*s.* 4*d.* per rupee will be made by executive order, and so will the arrangements for the receipt of sovereigns in payment of sums due to Government at the rate of fifteen rupees for a sovereign.

"Gold coins will not for the present be made a legal tender, and consequently nobody will be compelled to receive them instead of silver rupees unless he is willing to do so.

"The Government have also abandoned their intention to take power to declare sovereigns a legal tender at any rate not exceeding 1*s.* 6*d.* per rupee.

"The ratio of exchange between gold and the silver rupee has not been finally settled. The making of gold legal tender, and the ratio of exchange as compared with

the rupee at which gold shall be made legal tender, are matters which must be settled hereafter by legislative enactment and in the light of future experience."

The motion was put and agreed to.

The Hon. Sir David Barbour said:—"I now introduce the Bill, and move that it be taken into consideration at once. The provisions of the Bill are extremely simple, and the only change of any importance that it is intended to effect by means of it is to provide for the stoppage of the free coinage of silver at the Indian mints.

"As, however, the Bill, though so simple in itself, is intended to carry out a most important change in the Indian currency, I will explain its provisions in detail.

"In the first place, the Bill repeals sections 19 to 26 (both inclusive) of the Indian Coinage Act, 1870. These are the sections which provide for the coinage of all gold or silver brought to the mints by private persons. The quantity of gold brought to the mint for coinage is quite trifling; and as the gold coins now coined at the mint are not legal tender, and as they will doubtless be superseded altogether when gold is made a legal tender, it is undesirable that any more of them should be coined. This is the only change which is made in the Indian Coinage Act, 1870.

"The Bill also repeals clauses (*b*) and (*d*) of section 11 of the Indian Paper Currency Act, 1882, and the proviso to that section.

"Clause (*b*) refers to silver coin made under the Portuguese Convention Act, 1881; and as that convention has come to an end, the clause is no longer required.

"Clause (*d*) provides for the issue of notes by the Department of Paper Currency in exchange for silver bullion or foreign silver coin; and if it were retained, it would permit of rupees being obtained for silver as at present.

"The stoppage of the free coinage of silver at the Indian mints necessarily involves the repeal of clause (*d*), and the proviso ceases to have any meaning when clause (*d*) is repealed.

"In section 12 of the same Act an allusion to clause (*b*), which is now repealed, is struck out.

"Section 13 of the Indian Paper Currency Act provides for a portion of the metallic reserve of the Paper Currency Department, not exceeding one-fourth, being held in the form of gold. As the standard of India will in future be gold, the limitation of one-fourth is no longer required, and so much of the section as limits the proportion of gold to one-fourth is repealed. Sections 14 and 15 of the Act are entirely repealed. They refer to bullion or foreign coin tendered under section 11, clause (*d*), or section 13, and they are no longer required because clause (*d*) of section 11 will now be repealed, and because it is not intended for the present that private persons should be allowed to tender gold for notes under section 13.

"Certain alterations are also made in sections 21 and 28 to bring these sections into accord with the Act as now proposed to be amended.

"I may here mention that a notification will be issued under authority of section 13 of the Paper Currency Act, 1882, as now amended, providing for the issue of notes by the Paper Currency Department in exchange for gold on the requisition of the Comptroller General. The object of this notification is to enable that officer to pass gold into the Paper Currency reserve if it should accumulate to an inconvenient extent in the Government Treasuries.

"A notification will also be issued under executive authority authorising the public treasuries to receive sovereigns of current weight in payment of Government dues at the rate of fifteen rupees for one sovereign.

"Another notification will be issued under the same authority authorising the Masters of the Mints at Calcutta and Bombay to issue, under suitable conditions, silver rupees for gold at the rate of one silver rupee for 7·53344 grains Troy of fine gold. This corresponds to an exchange of 1*s.* 4*d.* per rupee.

"These three notifications will be issued as soon as the Bill is passed.

"Before calling on the Council to pass the Bill, it will be well that I should notice briefly some of the objections which have been taken to the introduction of a gold standard into India. These objections have been very fully discussed by the Committee of which Lord Herschell was President, and the arguments for and against the proposal to introduce a gold standard into India will be found stated at length in their Report.

"It has been said that the divergence in the relative value of gold and silver is due to the appreciation of gold and not to the depreciation of silver; and, if this be the case, it may fairly be argued that the introduction of a gold standard into India is wholly unjustifiable.

"With regard to this argument, I have a preliminary observation to make. The words appreciation and depreciation as applied to the standard of value are ordinarily used without a precise meaning being attached to them. They are words which I would rather not use at all if their use could be avoided, but in answering the argument to which I have just referred I must employ them, and I wish it to be understood that for present purposes I attach to them the somewhat indefinite meaning which is usually given to them. In other words, by appreciation or depreciation of the standard of value I intend to denote a rise or fall in value due to causes primarily affecting the metals themselves rather than the commodities of which the price falls or rises as the standard appreciates or depreciates. Using the terms in this sense, I have to remark that when gold and silver alter in relative value, it does not necessarily follow that the whole change is due to the appreciation of the one metal or the depreciation of the other. There may be simultaneously appreciation of one metal and depreciation of the other. Or a metal may appreciate at one time and depreciate at another. I must say that it does appear to me that there was appreciation of gold after 1873 rather than depreciation of silver. There was a greatly increased demand for gold at that time, while the production was rather falling off, and there was a very great fall in prices. These facts seem to me to point very clearly to appreciation of the gold standard, and there are other arguments leading to the same conclusion which I need not enumerate at present. On the other hand, there is equally good evidence that silver has depreciated during the last few years. Notwithstanding the fall in the price of that metal, the total production has continued to increase rapidly, and, notwithstanding the fall in exchange, the imports of silver into India are larger than before. There has also been a distinct tendency during the same time towards a rise in Indian prices, and many complaints have been heard from persons on fixed incomes.

"The introduction of a gold standard at the present time may, therefore, be more correctly described as a measure intended to stop the present process of depreciation rather than as causing appreciation.

"It may, of course, be argued that there is likely to be an injurious appreciation of the gold standard in the future, and here we enter on very debatable and speculative ground, and there is really no means of coming to a positive decision either one way or the other. The question appears to me to resemble those problems that certain people are so fond of putting forward, such as what will happen when all the coal in the world is used up. It is not possible to arrive at any conclusion on such questions, and from a practical point of view they possess little interest for us. If it is the case that the entire store of coal will in time be exhausted, we possess no means of averting that result, and we had better leave the problem to those who will be affected by such a calamity. At present the production of gold is increasing, and there appears every prospect of its continuing to increase for some years at any rate. Whether in the long run demand will outstrip supply to such an extent as to cause an injurious appreciation of the standard is one of those questions affecting the future which we have no means of deciding, and with which we need not concern ourselves.

"If gold does appreciate, we shall at any rate be no worse off than the other nations which have adopted that standard; on the contrary, we shall be better off, for we shall have escaped any appreciation which may have occurred in the last twenty years.

"Another objection is that with an overvalued rupee there will be great risk of false coining. I do not say that there will be no risk of false coining, but the experience of countries in which the silver currency has been overvalued for a number of years shows that this danger has been exaggerated. False coining on a small scale is not very profitable, and would not be productive of much mischief so long as the coins were made of good metal. False coining on a larger scale could not be carried on without the use of expensive machinery, and is practically impossible. In any case, if there is to be false coining, it will affect other countries long before it becomes common in India. The inducement to manufacture and issue false coin is the amount of profit to be made, and the amount of profit will be much greater in America, France, England, and other countries than it will be in India, because the silver coins will be overvalued to a greater extent in those countries than they will be in India.

"It has also been said that if India has a gold standard, the countries which retain the silver standard will have an advantage over India in the production of commodities for export. I attach no importance to this argument so long as the Indian standard is in itself a good one. A sudden rise in exchange will injuriously affect certain industries for a time. A sudden fall in exchange may give them an undue amount of profit and supply a temporary and artificial stimulus. But the principles which regulate

international trade rest on a totally different basis, and it seems to me an obvious truism that our manufactures and our commerce will advance more rapidly under a system which gives India the same standard of value as her principal customers than they could possibly do under a system which give us one standard of value and our chief customers a different one, the two standards varying in relative value from time to time in a manner which defied calculation.

"There remain certain objections which appear to me to possess weight.

"There is no doubt that the making of the rupee a token coin will be a source of loss and inconvenience to persons in India who possess uncoined silver, and that the adoption of a gold standard by India will injuriously affect to a greater or less degree our trade with silver-using countries beyond sea, our trade with the Native States of India, and our frontier trade with Foreign States.

"The answer to these objections is that the question of the adoption of a gold standard must be decided not with reference to any one consideration, or to a limited number of considerations, but after a careful examination of all the circumstances of the case, and that we must decide where the balance of advantage lies and act accordingly. It is true that persons who hold uncoined silver will lose; but, on the other hand, the same persons generally hold rupees also, and in respect of their coined silver they will gain. If our trade with silver-using countries will be injuriously affected, our trade with gold-using countries will be beneficially affected in a corresponding degree: and the latter branch of our trade is much larger and more important than the former. It is more than probable that some of the silver-using countries with which we trade will also adopt the gold standard, and as time goes on the tendency will certainly be in that direction if we succeed in establishing gold as the standard of India. It is also quite possible that some or most of the Native States of India may decide to adopt the gold standard; and our land trade with foreign countries is not very important, and is subject to so many drawbacks already that a difference of standard will be anything but an insuperable obstacle.

"There is one difficulty connected with the introduction of a gold standard into India which requires special notice. When the Indian mints are closed to the free coinage of silver, the currency of India will become a token currency of unparalleled magnitude without a reserve of gold, and this currency will be liable to have additions made to it by rupees by being returned to India from the various foreign countries in which they now circulate, and by rupees being transferred from the hoards in which they are now held.

"Under such circumstances it may well be asked whether it will be possible for us to make the gold standard effective at once. In other words, will the rupee be worth as much as 1*s.* 4*d.* from this day forward?

"To this question I cannot give a confident answer, and I do not believe that it is possible for any one to do so. I have no doubt but that rupees will be returned from foreign countries; but I do not think the amount so returned will be excessive. There is some risk of large quantities of rupees being thrown into the circulation from hoards, and I was formerly of opinion that the probability of this course being followed amounted to a serious danger. In recent years I have attached less importance to this aspect of the question. I think that the process of bringing rupees out of the hoards in which they lie would in any case be slow; that it might never take place on any considerable scale; and that the risk would be greatly lessened if the business of establishing the gold standard be so managed as to maintain confidence and prevent panic. It may be that the gold standard can be made effective from the first, though it will not be secure until there is a considerable amount of gold in our treasuries and banks. Or it may be that the making of the gold standard effective, and the establishment of it on a secure basis, will involve a long and arduous struggle and necessitate heavy sacrifices. Time alone can show which view is correct. But whatever the sacrifice and trouble of attempting to establish a gold standard may be, they must be faced, and the object we have in view is one which would, I submit, justify us in running even greater risks. Our present position is not such that we can avoid risk and loss by avoiding action, and an attempt on our part to permanently maintain the silver standard under present conditions would, in my opinion, involve peril to this country of the most serious character."

The Hon. Mr. Mackay said:—"I have had occasion to say a good deal on the Indian currency question during the past year or two, and I do not consider it necessary to say more at this time; but I cannot give an altogether silent vote on such an important Bill as that now before your Excellency's Council.

"I am completely in accord with the provisions of the Bill just introduced by the Hon. Sir David Barbour, and with the greatest deference I venture to congratulate your Excellency on having succeeded in bringing forward a measure which will have the effect not only of restoring the finances of the country to a satisfactory condition, but which will also impart to trade and commercial transactions that legitimate amount of certainty of which they have been deprived for the past twenty years. The measure at the same time relieves the country of that dread of additional and seriously disturbing taxation which has been weighing upon it for some time past. I look forward to a new era of prosperity and progress for India, and also to a great development of the resources of the country through the attraction which will now be given to British capital, and I look upon the assimilation of the English and Indian standards of value as a removal of the only barrier which has hitherto prevented India from taking her place amongst the great commercial and industrial nations of the world. It would have been well for India had the step taken by your Excellency's Government to-day been adopted fifteen years ago. In the interval not only has the natural progress of the country been retarded, but actual and serious injury has been inflicted on many important interests. However, it is useless to look back with regret on what might have been. We are content to accept the benefit, late as it is, which is now at last being conferred upon the country, and we look forward to the future with renewed hope and confidence."

The motion was put and agreed to.

The Hon. Sir David Barbour said:—"I now move that the Bill be passed, and in so doing I wish to add a few words, by way of caution and advice, to what I have already said. It is impossible to exaggerate the importance of the step which Her Majesty's Government and the Government of India have taken in deciding to establish a gold standard in India; but that step has been taken after the fullest discussion and with a deep sense of the responsibility which has been incurred. It is the intention of the Government of India to carry the measure to a successful issue if it be within their power to do so, and I trust that they will receive the unswerving support of the Indian public in the course which they have adopted—a course which was adopted in the belief that it was essential to the welfare of the whole Indian community.

"If it should happen, as it may, that the gold standard is effectually established in India from this day, I desire to urge that no undue elation should be exhibited, and that no precaution should be relaxed. The change of the Indian monetary standard is a measure which will have far-reaching and possibly unexpected results; and the gold standard cannot be considered to have been securely established in India until it has stood the test of time, and borne the shock of those financial storms which sometimes arise in the clearest skies. On the other hand, I would equally urge that we should not give way to alarm and despair if we should find ourselves confronted with serious and unexpected difficulties. The measure which we are engaged in carrying out has been adopted both with a full knowledge that serious difficulties might be encountered, and with a firm determination to overcome them if it be within our power to do so. The secure establishment of a gold standard in India may be a work of time, and may involve heavy sacrifices; but what other road to safety is open to us? We all know the troubles that have been brought upon this country during the last twenty years by the difference of standard between India and England. Are we prepared to face another such period, and are our troubles likely to be less if we go back to the old state of things after hastily abandoning the attempt to establish a gold standard?

"It has sometimes appeared to me that there were persons who held the opinion that the establishment of a gold standard would be a source of endless wealth to the Government of India. I know no good foundation for that belief. I hope and believe that the establishment of a gold standard will relieve the Government of India from an ever-growing cause of expenditure and from harassing fluctuations, and that it will promote the general welfare of the community. But the gold standard is not in itself a source of income, and it will be as necessary under a gold standard to practise the old-fashioned virtues of economy and prudence as it was under the silver standard, and the neglect to do so will involve the same consequences in both cases. I will even go further and say that economy is specially incumbent on the Government of India during the next few years. Confidence is a plant of slow growth in the financial world, and the people of India are apt to distrust anything that presents a novel appearance. If the public lose confidence in the success of our measures, the

difficulties of establishing and maintaining the gold standard will be enormously increased.

"There are two lines of policy by which I think it is possible to promote confidence, and I earnestly commend them to those who may be entrusted with the management of the Indian finances during the next few years. The first is to take care that each succeeding year shall close with a substantial surplus, and the second is to avoid at all hazards any increase of the home charges.

"I am afraid there is not much originality in these recommendations, but they are the best which one-and-twenty years' experience of Indian finance enables me to offer."

His Excellency the President said:—"I should like to say a few words before I put the motion to the Council.

"We shall not, I trust, be considered open to criticism because we are disposing of this question—one of the most important which has ever come before the Legislature of this country—without going through the usual forms of our legislative procedure, and in the absence of those additional Members of Council who do not happen to be in Simla. It will be obvious to every one that, for reasons upon which I need not dwell, the decision which has been arrived at must be carried out forthwith, and that a prolonged discussion of this Bill, or even its amendment in any essential particular, would not be admissible.

"We may, however, fairly contend that, if the question is being dealt with at this stage as if it were a matter of executive administration rather than one for the deliberate consideration of the Legislature, no question has ever been subjected to more thorough discussion out of doors than that with which we are concerned this morning. No debates in Council could be so instructive or so exhaustive of the subject as the discussions which have been proceeding in the public press and at public meetings upon the currency question during the last year or two.

"There is therefore, I venture to think, no occasion for travelling again over the old ground, or for arguing at length whether it was, or was not, safe to leave this country at the mercy of a fluctuating exchange, or whether the alleged advantages accruing to certain branches of our trade under a falling exchange were, or were not, greater than the troubles and difficulties which have already overtaken us, or than those further troubles and difficulties which would have beset us had exchange been allowed to fall to a still lower level.

"It was, I think, pretty well understood that the Government of India had some time ago arrived at a conclusion both as to the extent of the danger and as to the proper means of encountering it. The scheme, however, which we are laying before you does not rest upon our authority alone, and we are relieved from the necessity of justifying it, as we should have been expected to justify it, if it had been accepted by the Secretary of State merely upon our unsupported recommendation. We are in this position, that the proposal which we had laid before Her Majesty's Government a year ago is now accepted not only by them, but by that Committee of experts for whose verdict we have been waiting so impatiently during the last few months.

"When the composition of that Committee is considered; when we remember how many different schools of economical science were represented upon it; when we recollect how confidently it was predicted, even up to the last moment, that its members could not possibly agree in their conclusions; the fact that they have found it possible to sign with practical unanimity the Report which will be published in to-day's Gazette, shows, I cannot help thinking, conclusively how strong our case was, and gives to the recommendations of the Committee a weight and a force which may be described without exaggeration as overwhelming. I feel, therefore, that I should be merely wasting the time of the Council, without contributing anything to the information which will shortly be accessible to the public, if I were to attempt to add to that which will be found within the limits of Lord Herschell's Report. I will, therefore, merely venture to call the attention of those who will read that remarkable State document to one or two of the conclusions which it has established. And here let me, in the name of the Government of India, and I hope, I may say, in the name of the people of this country, express our obligation to Lord Herschell and to his colleagues for the patience and thoroughness with which they have investigated this intricate problem, and for the thoughtfulness with which they have taken into their consideration all the different aspects of a question in which so many interests and classes are concerned.

"The Report of the Committee will, in the first place, I think, render it no longer possible for any one to tell us, as we have sometimes been told, that this currency question was merely a grievance of the Indian services, or that the Government of India was interested in it only because we desired to extricate ourselves from the embarrassment occassioned by the instability of our finances. The Report of the Commission has, once and for all, shown that far wider issues than these are involved—issues affecting not merely certain interests and certain classes of the community, but every interest and every class throughout the Indian Empire.

"Upon the question of the effects of fluctuations in exchange upon the commerce of India the Committee speak with no uncertain voice. They report that there seems to be a common agreement amongst those who differ in their views upon almost all other points that trade is 'seriously harassed' by these fluctuations, and after a careful examination of the arguments adduced in support of this view, they express their opinion that 'it cannot be doubted that it would be well if commerce were free from 'the inconveniences of fluctuations which arise from a change in the relation between 'the standard of value in India and in countries with which her commerce is transacted.' And with regard to the deterrent effect of these fluctuations upon the investment of capital in India, they observe that 'there can be no doubt that uncertainty as to the 'interest which would be received for the investment, and as to the diminution which 'the invested capital might suffer if it were desired to retransfer it to this country, tends 'to check British investments in India.' That is precisely the view which has been again and again urged with great ability by the Association over which our hon. colleague Mr. Mackay has presided, and which has done such excellent service in familiarizing the country with the details of the currency question. It is a view which, as I have on more than one occasion publicly said, has always seemed to me indisputably sound, and it is satisfactory to find that this view is unreservedly accepted by Lord Herschell and his distinguished colleagues.

"In another passage of the Report the Committee mention that the evidence before them points to the conclusion that during recent years the silver price of Indian produce has risen; and they add that 'if, as experience shows, wages respond more 'slowly to the alteration in the value of the standard, this rise in the price of produce 'must have been prejudicial to the wage-earning classes.' They sum up this part of the case in these remarkable words:

> "'The above facts give reasons for believing that the recent fall in silver, coupled with the open mint, has led India to import and coin more silver than she needs, and the worst of the evil is that it is a growing one. Every unnecessary ounce of silver which has been, or is being, imported into India is a loss to India so long as silver is depreciating in gold value for it is *ex hypothesi*, not needed for present use, and it can be parted with only at a sacrifice. So far as the open mints attract unnecessary silver to India, they are inflicting a loss upon the people of the country, and benefiting the silver-producing countries at the cost of India.'

"While these are the effects which have been produced by fluctuations in the rate of exchange up to the present time, the Committee leave us in no doubt that the evils which we have hitherto experienced may be as nothing compared with those still in store for us if we are content to allow matters to drift.

"The Report dwells upon the large purchases of silver made by the Government of the United States under the Bland and Sherman Acts, and upon the fact that, in spite of these purchases, the price of silver has fallen to its present low level. They go on to express their opinion that, even if no change were to be made in the currency arrangements of the United States, the experience of the past would forbid the conclusion that the price of silver would be stationary at its present level. It would, they say, under these circumstances be imprudent to act on the assumption that no further fall is possible or even probable. It is, however, as we are all aware, a matter of notoriety that the early repeal of the Sherman Act is possible. The Committee dwell upon the heavy further fall which would certainly follow upon the repeal of the Act. They express their opinion that such a fall would not necessarily diminish the production of silver, and that under such circumstances 'it cannot be regarded as otherwise 'than within the reasonable bounds of possibility that the repeal of the Sherman Act 'might lead to a fall in the price of silver of even 6*d.* per ounce or more, and that there 'might be no substantial reaction from the level thus reached.' 'It may,' the Commissioners think, 'be said with practical certainty that such a fall would reduce the 'exchange to about a shilling per rupee, and would involve the necessity of raising at 'least Rx. 6,612,000 more than would be required by the Government of India, to effect, 'even at the rate of exchange of 1*s.* 3*d.* per rupee, a remittance of the amount drawn

'last year, namely, £16,530,000 sterling, while the payment of £19,370,000 sterling, 'which is the present estimate of the drawings for 1893–94, would, at 1*s.* 3*d.* per rupee, 'require Rx. 30,992,000, and at 1*s.* 0*d.* per rupee, Rx. 38,740,000, involving an increase 'of Rx. 7,748,000.'

"These are not the gloomy vaticinations of harassed and querulous Indian officials, but the deliberately expressed anticipations of such men as Mr. Leonard Courtney, so well known as Chairman of Committees of the British House of Commons, and a recent convert to bimetallism; Sir Thomas Farrer, for many years the distinguished Secretary of the Board of Trade, and an eminent political economist and free trader; and Sir Reginald Welby, the Secretary of the Treasury, an official of exceptional experience, who had, moreover, previously been a member of the Committee which in 1878 issued an unanimous report against another proposal founded upon the closing of the Indian mints to the free coinage of silver.

"With these prospects before them, the Committee find themselves face to face with that dilemma to which reference was made in the discussion upon the financial statement at Calcutta in March of the present year. It is recognised that the Government of India has to choose between a change in its currency arrangements and the imposition of increased taxation, which, if the figures which I have just cited are to be taken as a guide, might be of the most formidable and onerous character. The possibility of increasing our revenue by means of additional taxes is examined by the Committee in a series of paragraphs which I earnestly recommend to the attention of those who would have us leave the currency alone and restore equilibrium between income and expenditure by means of additions to the burdens of the country.

"The Committee say that they are not in a position to determine whether the apprehensions which have been expressed to them that increased taxation cannot be resorted to without grave mischief are exaggerated or not, but they add this very significant observation:

> "'It is not easy to see how the burden of the added taxation which would be requisite to counterbalance the fall in exchange could be made to rest on those who might with the most justice to be subjected to it, or how the added revenue could be provided, except in a manner opposed to sound principles of taxation.'

"I think, then, that I may sum up this part of the case by saying that it has now been established almost beyond controversy that to leave matters as they were meant for the Government of India hopeless financial confusion; for the commerce of India a constant and ruinous impediment; for the taxpayers of India the prospect of heavy and unpopular burdens; for the consumers of commodities a rise in the prices of the principal necessaries of life; and for the country as a whole a fatal and stunting arrestation of its development.

"My honourable financial colleague has explained to the Council the precise nature of the proposals of the Committee—proposals which we have thought it our duty to accept—and wherein they differ from those which we had ourselves submitted to the Secretary of State.

"The scheme of the Committee may be described as being not so much an alternative to our own as a modification of it. It is our scheme with the addition of safeguards and precautions—safeguards and precautions which appear to us to be wisely conceived. The feature which both schemes have in common is the essential feature of both; both are based on the closing of the mints to free coinage with the object of eventually introducing a gold standard into India upon terms as equitable as can be devised in the interests of all concerned, and with a minimum of disturbance to the business of the country.

"I may say, too, that both schemes have for their main object the prevention of a further fall in the value of coined silver rather than the enhancement of its value greatly beyond the present level. The difference between the Government of India and the Committee may be said to lie mainly in this, that the Committee have given more prominence than we had given to this aspect of the case. The keynote, so to speak, of the report is to be found in the opinion recorded in paragraph 135, to the effect that 'to close the mints for the purpose of raising the value of the rupee is open 'to much more serious objection than to do so for the purpose of preventing a further 'fall.'

"It is then mainly with the latter object that the Committee advocate putting a stop to the free coinage of silver. That is a view which will, I cannot help thinking, be generally accepted as a just and reasonable one. The step recommended by the Committee will not produce any violent disturbance of values. It will, to use the

words of Messrs. Farrer and Welby, 'not materially alter the present relations between 'debtor and creditor, but, on the contrary, prevent those relations being altered in 'the future by a further fall.'

"It has also this further advantage, that it provides an automatic means whereby it will be possible to prevent the closing of the mints from leading to a sudden and violent disturbance in the rate of exchange. I refer of course to the provision that any person may hereafter bring gold to the mints and obtain for it rupees at the rate of 1*s.* 4*d.* per rupee, and that gold may be tendered in payment of Government dues at the same rate, which is equal to one sovereign for Rs. 15. I need scarcely explain that the effect of this will be that, should exchange show a tendency to rise in the open market beyond the rate originally fixed; should it, for example, rise to a ratio giving, let us say, 1*s.* 4½*d.* as the equivalent of the rupee, or something less than Rs. 15 for the sovereign, it will at once become advantageous to bring gold to the mint, and to exchange it at the full rate of one sovereign for Rs. 15. In this manner, by a self-acting process, a rise beyond the level which has has been provisionally indicated will be rendered impossible so long as that limit remains in force.

"These precautions, will, I hope, go far to allay the apprehensions of those who mistrust the idea of any attempt by Government to increase artifically the value of its currency. Upon the other hand, the provisional ratio which the Committee has recommended, and which may, should circumstances hereafter require it, be raised, is sufficiently high to afford the Government of India immediate and substantial relief from its most pressing difficulties. Had the ratio been fixed lower in the first instance I do not see how it would have been possible for us to avoid adding to the taxation of the Empire.

"I would venture to ask those who take exception to the enhancement of the gold value of the rupee from the rates prevalent lately to 1*s.* 4*d.* upon the ground that such a fluctuation involves a disturbance of the markets whether this small fluctuation is comparable in its importance with those to which we have had to submit during the last few years, and to which, if we were to leave matters alone, we should, no doubt, still be exposed.

"I will only add for the benefit of those who may not have leisure to study the report that there should be no mistake as to the following points:

"First, although we propose to introduce a gold standard, no attempt is to be made to get rid of the silver currency to which the people of this country have been so long accustomed. The experience of other countries, as to which the report has much to say, [and there is no part of it which is better worth reading] has, the Committee tells us, shown that it has been found possible by the adoption of different systems to maintain a gold standard and a substantial parity of exchange with the gold-using countries of the world without a gold circulation, without a large stock of gold currency, and even with a silver currency not legally convertible into gold. The Committee admit, with the fairness which characterises their report that in no one of the countries of which they have cited the example has silver been so largely and so exclusively used as in India, and there can be no doubt that, as Sir Thomas Farrer and Sir Reginald Welby have put it in their separate report, the effect of this measure will be to give us a token currency of unparalleled magnitude. The Committee sum up this part of the case by the very reasonable observation that, although the cases of Scandinavia, Holland, Canada, the Dutch East Indies, and the countries of the Latin Union are not in all respects applicable as precedents to the case of India, the experience derived from the currencies of those countries is not without value as bearing on the questions which we have to consider.

"In the second place, it will be observed that for the present no attempt will be made to fix the legal tender price for gold. In this respect also the proposals of Lord Herschell's Committee differ from ours for reasons which have been explained by the honourable financial member.

"Thirdly, it will be seen that the ratio recommended by the Committee is fixed provisionally and not permanently, and that the provisional ratio is well within the limits of recent variations.

"I might say more, but I feel that I cannot add usefully to what has been already said with an authority to which I cannot pretend in the Report of the Committee. I will make one other observation only. It is true that our responsibility in this matter has been, as I said at first, to some extent diminished by the fact that the measure before the Council has not only our support, but that of Her Majesty's Government and that of the members of the Herschell Committee, but we do feel, nevertheless,

very deeply the gravity of the step which we are about to take. For myself, I may say that I hold very strongly that all attempts to give a factitious value by legislation to money or commodities are upon principle to be deprecated. The less Government has to do with such enterprises, the more we can trust to the ordinary influences of demand and supply, and to the open traffic of the markets, the better for all concerned. But a time may come when inaction is no longer possible, and when a Government would be unworthy the name of a Government if it were to stand aside and leave things to take care of themselves. We believe that such a time has come in India; we believe with Lord Herschell's Committee that a further fall in the gold value of silver is probably imminent, and that such a fall would have disastrous effects for this country if we were still to allow its mints to remain open for the receipt and coinage of any quantity of a depreciated and discredited metal. We know that other countries have discarded that metal and have prospered, and we see no reason why we should be precluded from following their example. We have borne long enough with a state of things which is becoming more intolerable with every year that passes, and which to all human probability would have become more intolerable still. We feel that, holding these views, we should be culpable if we did not attempt to place the finances of India on a more stable basis. We admit the immense difficulty of the problem and the uncertainties by which it is surrounded, and we offer this solution not as one which is ideally perfect, but as the best which can be devised.

"We are hopeful that it will afford relief not to ourselves merely to our employés, but to the country as a whole. We are, however, far too well aware of the intricacy of the problem and of the risks attending such an experiment as that which we are about to try to take this momentous step with a light heart. In a case of this kind, the most obvious economic and scientific laws do not always prevail. You may provide for all the known factors in your calculation only to find that there are others which you have overlooked or been unable to estimate. But, in spite of these misgivings, we earnestly hope that our proposals may be fruitful of good; that the commerce of India may be relieved from an impediment which has retarded its progress; that the Government of India may be enabled to meet its obligations without adding to the burdens of the taxpayer; and that capital will flow more freely into this country without the adventitious stimulus which we have hitherto been unable to refuse. We trust, finally, that in process of time sufficient reserves of gold may be accumulated to enable us to render our gold standard effective, and thereby to complete the great change towards which we are taking the first steps to-day.

"Time only can show whether all these hopes will be fulfilled or be disappointed. In the meanwhile, I earnestly trust that even those who regard this measure with most suspicion or reluctance will give us credit for having had the courage of our opinions, and for having taken the only course which seemed to us likely to relieve this country of a burden which has, we believe, seriously affected its welfare in the past, and which would, unless we had intervened, has still more seriously paralysed her energies and retarded her advance in the future."

The Motion was put and agreed to.

The Council adjourned to Thursday, the 20th July 1893.

S. HARVEY JAMES,
Secretary to the Government of India,
Legislative Department.

Simla, the 26th June 1893.

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